

MALAYSIA SMELTING CORPORATION BERHAD ("MSC" OR THE "COMPANY")

- (I) PROPOSED SHARE SPLIT; AND
- (II) PROPOSED BONUS ISSUE

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of MSC ("Board"), UOB Kay Hian Securities (M) Sdn Bhd ("UOBKH") wishes to announce that the Company proposes to undertake the following:-

- (i) a proposed share split involving the subdivision of every 1 existing ordinary share in MSC ("MSC Share(s)" or Share(s)) into 2 subdivided MSC Shares ("Split Share(s)") held on an entitlement date to be determined later ("Split Entitlement Date") ("Proposed Share Split"); and
- (ii) a proposed bonus issue of 200,000,000 new Split Shares ("Bonus Share(s)") to be credited as fully paid-up on the basis of 1 Bonus Share for every 1 existing Split Share held on the same date as the Proposed Share Split ("Bonus Entitlement Date") ("Proposed Bonus Issue").

For information purpose, MSC is primarily listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and secondarily listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX"). Accordingly, the Split Shares and the Bonus Shares will also be secondarily listed on the Main Board of SGX.

It is the intention of the Board to propose the Split Entitlement Date and the Bonus Entitlement Date to be on the same date, and as such the Split Shares and the Bonus Shares shall be listed and quoted concurrently on both the Main Market of Bursa Securities and the Main Board of SGX on the next market day following the Split Entitlement Date and Bonus Entitlement Date.

On 22 February 2018, the Board has recommended the payment of a final single tier dividend of 4 sen per Share in respect of the FYE 31 December 2017 amounting to RM4.00 million ("Proposed Final Dividend 2017") for approval at the forthcoming Annual General Meeting ("AGM"). For avoidance of doubt, it is the intention of the Board to fix the Split Entitlement Date and Bonus Entitlement Date at a date subsequent to the entitlement date of the Proposed Final Dividend 2017, and as such, both the Split Shares and Bonus Shares **will not be** entitled to the Proposed Final Dividend 2017.

Further details of the Proposals are set out in the ensuing sections.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Share Split

2.1.1 Details of the Proposed Share Split

The Proposed Share Split entails the subdivision of every 1 existing MSC Shares into 2 Split Shares held by the shareholders of MSC, whose names appear in the Record of Depositors of the Company as at the close of business on the Split Entitlement Date. It is the intention of the Board to propose the Split Entitlement Date and the Bonus Entitlement Date to be on the same date, which will be determined and announced later by the Board upon receipt of all relevant approvals.

As set out in Section 1 of this announcement, the Board had earlier on 22 February 2018 recommended the Proposed Final Dividend 2017 for approval at the forthcoming AGM. For avoidance of doubt, it is the intention of the Board to fix the Split Entitlement Date after the entitlement date of the Proposed Final Dividend 2017, and as such, the Split Shares **will not be** entitled to the Proposed Final Dividend 2017.

As at 20 March 2018 (being the latest practicable date prior to the date of this announcement) ("LPD"), the issued share capital of MSC is RM174,666,000 comprising 100,000,000 Shares. Upon completion of the Proposed Share Split, the resultant issued share capital of MSC will be RM174,666,000 comprising 200,000,000 Split Shares.

For illustrative purposes, based on the closing market price of MSC Shares as at the LPD, the market price of MSC Shares after the Proposed Share Split shall theoretically be adjusted as follows:-

	Assumed no. of shares held	Market price per share RM	Total value RM
As at the LPD	100	3.03	303
After the Proposed Share Split	200	1.515	303

Accordingly, the Proposed Share Split is not expected to have any impact on the total value of ordinary shares held by shareholders in the Company.

Fractional entitlements arising from the Proposed Share Split, if any, shall be dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interest of the Company.

2.1.2 Ranking of the Split Shares

The Split Shares will, upon allotment and issuance, rank *pari passu* in all respects with each other, save and except that the Split Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such distribution precedes the relevant date of allotment and issuance of the Split Shares.

2.1.3 Listing of and quotation for the Split Shares

An application will be made to Bursa Securities for the Proposed Share Split. No suspension will be imposed on the trading of MSC Shares on the Main Market of Bursa Securities for the purpose of implementing the Proposed Share Split.

The Split Shares shall be listed and quoted on the Main Market of Bursa Securities concurrently with the Bonus Shares on the next market day following the Split Entitlement Date. Simultaneously, the Split Shares will also be secondarily listed on the Main Board of SGX.

2.2 Proposed Bonus Issue

2.2.1 Details of the Proposed Bonus Issue

The Proposed Bonus Issue will entail an issuance of 200,000,000 Bonus Shares to be credited as fully paid-up on the basis of 1 Bonus Share for every 1 Split Share held by shareholders of MSC whose names appear in the Record of Depositors of the Company at the close of business on the Bonus Entitlement Date, which is intended to be on the same date as the Split Entitlement Date.

As set out in Section 1 of this announcement, the Board had earlier on 22 February 2018 recommended the Proposed Final Dividend 2017 for approval at the forthcoming AGM. For avoidance of doubt, it is the intention of the Board to fix the Bonus Entitlement Date after the entitlement date of the Proposed Final Dividend 2017, and as such, the Bonus Shares **will not be** entitled to the Proposed Final Dividend 2017.

Based on the proforma issued share capital of MSC of RM174,666,000 comprising 200,000,000 Split Shares after assuming the completion of the Proposed Share Split, a total of 200,000,000 Bonus Shares may be issued pursuant to the Proposed Bonus Issue. The actual number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue will depend on the issued share capital of MSC after the Proposed Split as at the Bonus Entitlement Date. Upon completion of the Proposed Bonus Issue, the resultant issued share capital of MSC will be RM200,000,000 comprising 400,000,000 MSC Shares.

Fractional entitlements arising from the Proposed Bonus Issue, if any, shall be dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interest of the Company.

The Proposed Bonus Issue will be implemented concurrently with the Proposed Share Split. The Proposed Bonus Issue will not be implemented on a staggered basis.

For information purpose, we wish to highlight that the Proposed Bonus Issue shall be undertaken via the previous framework (the par value regime), and as such, the compliance with Paragraph 6.30(1A) (i.e. pricing condition of not less than RM0.50 based on daily volume weighted average share price during the 3-month period) of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") is not applicable in this case.

2.2.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from the share premium account before capitalising the remaining balance from the retained earning account of the Company.

An illustration of the proposed capitalisation for the Proposed Bonus Issue based on MSC's audited financial statements for the financial year ended ("FYE") 31 December 2016 and the latest unaudited financial statements for the 12-month financial period ended ("FPE") 31 December 2017 (at the Company level) is set out below:-

	Audited FYE 31 December 2016		Unaudited 12-month FPE 31 December 2017	
	Share premium RM'000	Retained earnings RM'000	Share premium RM'000	Retained earnings RM'000
Company level				
Amount	74,666	94,678	74,666 ¹	130,229
Less: Final Dividend 2016 paid ²	-	(8,000)	-	-
Less: Proposed Final Dividend 2017 payable subject to shareholders' approval ³	-	(4,000)	-	(4,000)
Less: Amount to be capitalised for the Proposed Bonus Issue ⁴	(74,666)	(25,334)	(74,666)	(25,334)
Less: Estimated expenses	-	(120)	-	(120)
After the Proposed Bonus Issue	-	57,224	-	100,775

Notes:-

- *1 *With the Companies Act 2016 ("Act") coming into effect on 31 January 2017, the concept of authorised share capital and par value of the share capital have been abolished. Consequently, the credit standing in the share premium account has become part of the share capital pursuant thereto. However, Section 618(3)(c) of the Act provides that the Company may utilise the credit standing in the share premium account to fully pay up the Bonus Shares within 24 months from 31 January 2017*
- *2 *After adjusting for the final single tier dividend of 8 sen per Share in respect of the FYE 31 December 2016 amounting to RM8.00 million ("Final Dividend 2016") which has been paid on 11 July 2017*
- *3 *Assuming the shareholders' approval has been obtained for the resolution pertaining to the Proposed Final Dividend 2017 at the AGM, the retained earnings of the Company shall be adjusted for the said dividend payment amounting to RM4.00 million*
- *4 *The capitalisation amount is calculated based on the number of Bonus Shares to be issued multiplied by the last known theoretical par value of the Company after the Proposed Share Split, i.e. RM0.50*

The Board confirms that the Proposed Bonus Issue and the implementation of the Proposed Bonus Issue is and will be in full compliance with the Act and Practice Note 1/2017 issued by the Companies Commission of Malaysia for the purposes of subsection 618(3)(c) of the Act.

The Board also confirms that in accordance with Paragraph 6.30(2)(b) of the Listing Requirements, the Company has sufficient reserves for capitalisation of the Bonus Shares based on MSC's latest audited consolidated financial statements for the FYE 31 December 2016 and the latest unaudited quarterly report for the 12-month FPE 31 December 2017, and also after taking into considerations the dividends paid on 11 July 2017 as well as the Proposed Final Dividend 2017. In addition, the Board confirms that the reserves available to be capitalised for the Proposed Bonus Issue are unimpaired by losses on a consolidated basis.

2.2.3 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the then existing Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date of such distribution precedes the relevant date of allotment and issuance of the Bonus Shares.

2.2.4 Listing of and quotation for the Bonus Shares

An application will be made to Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities.

The Bonus Shares shall be listed and quoted on the Main Market of Bursa Securities concurrently with the Split Shares on the next market day following the Bonus Entitlement Date. Simultaneously, the Bonus Shares will also be secondarily listed on the Main Board of SGX.

3. RATIONALE AND JUSTIFICATIONS

3.1 Proposed Share Split

The Proposed Share Split would result in an adjustment to the market price of MSC Shares to a more affordable entry price, thus potentially appealing to a wider group of public shareholders and/ or investors to participate in the growth of the Company. The Proposed Share Split is also expected to enhance the marketability and trading liquidity of the Shares on the Main Market of Bursa Securities and the Main Board of SGX as a result of the increase in the number of ordinary shares in issue.

3.2 Proposed Bonus Issue

After due consideration, the Board is of the view that the Proposed Bonus Issue is an appropriate avenue of rewarding the existing shareholders of the Company while at the same time enhancing the Company's capital base as the Proposed Bonus Issue will:-

- i. Reward the existing shareholders of the Company for their continuous support;
- ii. Enlarge the number of Shares held by the Company's existing shareholders without increasing the percentage equity interest; and
- iii. Possibly able to encourage trading liquidity of Shares on Bursa Securities and SGX, and greater participation by investors as well as potentially broadening the shareholder base of the Company.

4. EFFECTS OF THE PROPOSALS

4.1 Issued share capital

The proforma effects of the Proposals on the issued share capital of the Company are set out below:-

	No. of Shares	RM
Issued share capital as at the LPD	100,000,000	174,666,000 ^{*1}
After the Proposed Share Split	200,000,000	174,666,000
To be issued pursuant to the Proposed Bonus Issue	200,000,000	25,334,000 ^{*2}
Enlarged issued share capital	400,000,000	200,000,000

Notes:-

^{*1} With the Act coming into effect on 31 January 2017, the concept of authorised share capital and par value of the share capital have been abolished. Consequently, the credit standing in the share premium account of RM74,666,000 has become part of the share capital pursuant thereto. However, Section 618(3)(c) of the Act provides that the Company may utilise the credit standing in the share premium account to fully pay up the Bonus Shares within 24 months from 31 January 2017

^{*2} Derived from the crediting of the Bonus Shares to be fully paid-up of RM100,000,000 (calculated based on the number of Bonus Shares to be issued multiplied by the last known theoretical par value of the Company after the Proposed Share Split, i.e. RM0.50), and less the capitalisation amount for Bonus Shares of RM74,666,000 from the share premium (which has become part of the share capital)

4.2 Net Asset ("NA") per Share and gearing

Based on the latest audited consolidated statements of financial position of the MSC and its subsidiary companies ("MSC Group" or the "Group") as at 31 December 2016, the proforma effects of the Proposals on the NA per Share and gearing of the Group are set out below:-

	Audited as at 31 December 2016 RM'000	I Subsequent adjustments up to the LPD RM'000	II After I and after the Proposed Share Split RM'000	III After II and after the Proposed Bonus Issue RM'000
Share capital	100,000	174,666	174,666	200,000 ⁴
Share premium	76,372	- ¹	-	-
Other reserves	38,383	40,089	40,089	40,089
Retained earnings	64,334	52,334 ²	52,214 ³	26,880 ⁵
Shareholders' funds/ NA (excluding non-controlling interest)	279,089	267,089	266,969	266,969
No. of Shares in issue (000)	100,000	100,000	200,000	400,000
NA per Share (RM)	2.79	2.67	1.33	0.67
Total borrowings (RM'000)	339,469	339,469	339,469	339,469
Gearing ratio (times)	1.22	1.27	1.27	1.27

Notes:-

¹ With the Act coming into effect on 31 January 2017, the concept of authorised share capital and par value of the share capital have been abolished. Consequently, the credit standing in the share premium account of RM74,666,000 has become part of the share capital pursuant thereto. However, Section 618(3)(c) of the Act provides that the Company may utilise the credit standing in the share premium account to fully pay up the Bonus Shares within 24 months from 31 January 2017. Also included in share premium as at 31 December 2016 is the Group's share of the share premium belonging to its 40%-owned associate company, namely Redring Solder (M) Sdn Bhd, amounting to RM1,706,000. Such amount has been reclassified to other reserves in 2017

² After adjusting for the following:-

(i) The Final Dividend 2016 amounting to RM8.00 million has been paid on 11 July 2017; and

(ii) Assuming the shareholders' approval has been obtained for the resolution pertaining to the Proposed Final Dividend 2017 at the AGM, the retained earnings of the Company shall be adjusted for the said dividend payment amounting to RM4.00 million

³ After deducting the estimated expenses of approximately RM120,000 in relation to the Proposals

⁴ After crediting the Bonus Shares to be fully paid-up amounting to RM100,000,000 and debiting the capitalisation amount of RM74,666,000 from the share premium (which has become part of the share capital), pursuant to the Proposed Bonus Issue

⁵ After debiting the remaining balance capitalisation amount of RM25,334,000 from the retained earnings pursuant to the Proposed Bonus Issue

4.3 Substantial shareholding structure

The Proposals will not have any effect on the percentage shareholdings of the substantial shareholders of MSC as the Split Shares and Bonus Shares will be allotted on a pro-rata basis to shareholders of the Company. However, the number of MSC Shares held by each substantial shareholder will increase proportionately as a result of the Proposals.

The proforma effects of the Proposals on the substantial shareholders' shareholdings of the Company are set out below:-

Substantial shareholders	Shareholdings as at the LPD				I After the Proposed Share Split				II After I and the Proposed Bonus Issue			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Straits Trading Company Limited	28,090,000	28.09	26,755,800 ^{*1}	26.76	56,180,000	28.09	53,511,600 ^{*1}	26.76	112,360,000	28.09	107,023,200 ^{*1}	26.76
Straits Trading Amalgamated Resources Sdn Bhd	17,374,500	17.37	-	-	34,749,000	17.37	-	-	69,498,000	17.37	-	-
Sword Investments Pte Ltd	5,396,300	5.40	-	-	10,792,600	5.40	-	-	21,585,200	5.40	-	-
The Cairns Pte Ltd	-	-	54,845,800 ^{*2}	54.85	-	-	109,691,600 ^{*2}	54.85	-	-	219,383,200 ^{*2}	54.85
Tecity Pte Ltd	-	-	54,845,800 ^{*2}	54.85	-	-	109,691,600 ^{*2}	54.85	-	-	219,383,200 ^{*2}	54.85
Raffles Investments Pte Ltd	-	-	54,845,800 ^{*2}	54.85	-	-	109,691,600 ^{*2}	54.85	-	-	219,383,200 ^{*2}	54.85
Aequitas Pte Ltd	-	-	54,845,800 ^{*2}	54.85	-	-	109,691,600 ^{*2}	54.85	-	-	219,383,200 ^{*2}	54.85
Dr Tan Kheng Lian	-	-	54,845,800 ^{*3}	54.85	-	-	109,691,600 ^{*3}	54.85	-	-	219,383,200 ^{*3}	54.85
Tan Chin Tuan Pte Ltd	-	-	54,845,800 ^{*2}	54.85	-	-	109,691,600 ^{*2}	54.85	-	-	219,383,200 ^{*2}	54.85

Notes:-

^{*1} Held through Redring Solder (Malaysia) Sdn Bhd, Straits Trading Amalgamated Resources Sdn Bhd, Sword Investments Pte Ltd & Baxterley Holdings Pte Ltd

^{*2} Tan Chin Tuan Pte Ltd, The Cairns Pte Ltd, Tecity Pte Ltd, Raffles Investments Pte Ltd and Aequitas Pte Ltd hold not less than 20% of the voting shares in The Straits Trading Company Limited. Tan Chin Tuan Pte Ltd is the ultimate holding company for The Straits Trading Company Limited

^{*3} Dr Tan Kheng Lian holds not less than 20% of the voting shares in Tan Chin Tuan Pte Ltd

4.4 Earnings and earnings per share ("EPS")

The Proposals, which are expected to be completed by the third quarter of 2018, are not expected to have any material effect on the earnings of the Group for the financial year ending 31 December 2018. However, there will be a corresponding dilution in the EPS of the Group as a result of the increase in the number of Split Shares and Bonus Shares pursuant to the Proposed Share Split and Proposed Bonus Issue, respectively.

4.5 Convertible securities

The Company does not have any other existing convertible securities as at the date of this announcement.

5. APPROVALS REQUIRED

The Proposals are subject to the following approvals:-

- i. Bursa Securities, for the Proposed Share Split as well as the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities; and
- ii. The shareholders of MSC for the Proposals at an extraordinary general meeting ("EGM") to be convened. The voting on the resolutions pertaining to the Proposals at the EGM shall be taken via poll.

The Proposed Share Split and the Proposed Bonus Issue are inter-conditional upon each other. However, the Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

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

None of the Directors and/ or major shareholders of the Company and/ or persons connected to them have any interest, either direct or indirect, in the Proposals, save for their respective entitlements as shareholders of the Company under the Proposed Share Split and the Proposed Bonus Issue which are also available to all other shareholders of the Company.

7. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

8. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposals are expected to be completed by the third quarter of 2018.

9. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities shall be made within 1 month from the date of this announcement.

10. ADVISER

UOBKH has been appointed as the Adviser for the Proposals.

This announcement is dated 23 April 2018.