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MALAYSIA SMELTING CORPORATION BERHAD

(Company No.: 43072-A)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- I. PROPOSED SHARE SPLIT INVOLVING THE SUBDIVISION OF EVERY 1 EXISTING ORDINARY SHARE IN MSC ("MSC SHARE(S)") INTO 2 SUBDIVIDED MSC SHARES ("SPLIT SHARE(S)") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED SHARE SPLIT"); AND**
- II. 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 ENTITLEMENT DATE AS THE PROPOSED SHARE SPLIT ("PROPOSED BONUS ISSUE")**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

(Company No. 194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("EGM") of MSC which is scheduled to be held at Murai Room, LG Level - Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, Malaysia on Wednesday, 30 May 2018 at 11.30 a.m., or immediately following the conclusion or adjournment of the Thirty Ninth (39th) Annual General Meeting ("AGM") of the Company scheduled to be held at the same venue and on the same date at 11.00 a.m., whichever is later, together with the Proxy Form are enclosed herein.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf. In such event, the Proxy Form must be lodged at the registered office of MSC at Lot 6, 8 and 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, not less than 48 hours before the stipulated time for holding the EGM or at any adjournment thereof, as indicated below. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Monday, 28 May 2018 at 11.30 a.m.

Date and time of the EGM : Wednesday, 30 May 2018 at 11.30 a.m. or immediately following the conclusion or adjournment of the AGM, whichever is later

This Circular is dated 15 May 2018

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	: The Companies Act, 2016
"AGM"	: Annual General Meeting
"Board"	: The Board of Directors of MSC
"Bonus Entitlement Date"	: A date to be determined and announced later by the Board, on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Bonus Issue. For information purpose, the Bonus Entitlement Date is intended to be on the same date as the Split Entitlement Date
"Bonus Share(s)"	: 89,664,491 new MSC Shares to be issued pursuant to the Proposed Bonus Issue
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"Director(s)"	: A natural person who holds directorship in the Company and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes:- i. In the case of an issuer of structured warrants, a director of the issuer of the structured warrants; or ii. In the case of an applicant or listed issuer which is a collective investment scheme, a director of a management company or a director of the trustee-manager, as the case may be
"EGM"	: Extraordinary General Meeting
"EPS"	: Earnings per Share
"Final Dividend 2016"	: Final single tier dividend of 8 sen per Share in respect of the FYE 31 December 2016 amounting to RM8.00 million which has been paid on 11 July 2017
"FPE"	: Financial period ended/ ending
"FYE"	: Financial year ended/ ending
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"LPD"	: 8 May 2018, being the latest practicable date prior to the printing and despatch of this Circular
"Market Day(s)"	: Any day between Monday to Friday (inclusive), excluding public holidays, and a day on which Bursa Securities is open for trading of securities
"MSC" or the "Company"	: Malaysia Smelting Corporation Berhad

DEFINITIONS (CONT'D)

"MSC Group" or the "Group"	:	MSC and its subsidiary companies, collectively
"MSC Share(s)" or "Share(s)"	:	Ordinary shares in MSC
"NA"	:	Net assets attributable to ordinary equity holders of the Company
"Proposals"	:	The Proposed Share Split and the Proposed Bonus Issue, collectively
"Proposed Bonus Issue"	:	Proposed bonus issue of 200,000,000 Bonus Shares to be credited as fully paid-up on the basis of 1 Bonus Share for every 1 existing Split Share held on the Bonus Entitlement Date
"Proposed Final Dividend 2017"	:	The recommended payment of a final single tier dividend of 4 sen per MSC Share in respect of the FYE 31 December 2017, subject to shareholders' approval at the forthcoming Thirty Ninth (39th) AGM of the Company
"Proposed Share Split"	:	Proposed share split involving the subdivision of every 1 existing MSC Share into 2 Split Shares held on the Split Entitlement Date
"Record of Depositors"	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"SGX"	:	Singapore Exchange Securities Trading Limited
"Split Entitlement Date"	:	A date to be determined and announced later by the Board, on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Share Split. For information purpose, the Split Entitlement Date is intended to be on the same date as the Bonus Entitlement Date
"Split Share(s)"	:	200,000,000 subdivided MSC Shares to be allotted pursuant to the Proposed Share Split
"UOBKH" or the "Adviser"	:	UOB Kay Hian Securities (M) Sdn Bhd

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

TABLE OF CONTENTS

	PAGE
LETTER TO THE SHAREHOLDERS OF MSC CONTAINING:-	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS	5
4. EFFECTS OF THE PROPOSALS	6
5. HISTORICAL SHARE PRICES	9
6. APPROVALS REQUIRED/ OBTAINED	9
7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM	10
8. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION	10
9. PROPOSALS ANNOUNCED BUT PENDING COMPLETION	11
10. DIRECTORS' RECOMMENDATION	11
11. EGM	11
12. FURTHER INFORMATION	11
APPENDIX	
I. FURTHER INFORMATION	12
NOTICE OF EGM	ENCLOSED
PROXY FORM	ENCLOSED



MALAYSIA SMELTING CORPORATION BERHAD
(Company No.: 43072-A)
(Incorporated in Malaysia)

Registered Office

Lot 6, 8 and 9, Jalan Perigi Nanas 6/1
Pulau Indah Industrial Park
West Port, Port Klang
42920 Pulau Indah
Selangor

15 May 2018

Board of Directors

Chew Gek Khim (*Non-Independent Non-Executive Chairman*)
Chia Chee Ming, Timothy (*Senior Independent Director*)
Dato' Ng Jui Sia (*Independent Non-Executive Director*)
Dato' Robert Teo Keng Tuan (*Independent Non-Executive Director*)
John Mathew a/l Mathai (*Independent Non-Executive Director*)
Yap Chee Keong (*Independent Non-Executive Director*)

To: The shareholders of Malaysia Smelting Corporation Berhad

Dear Sir/ Madam,

- I. PROPOSED BONUS ISSUE; AND**
- II. PROPOSED SHARE SPLIT**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 23 April 2018, UOBKH had, on behalf of the Board, announced that the Company had proposed to undertake the following:-

- i. a proposed share split involving the subdivision of every 1 MSC Share into 2 Split Shares held on the Split Entitlement Date; and
- ii. a proposed bonus issue of 200,000,000 Bonus Shares to be credited as fully paid-up on the basis of 1 Bonus Share for every 1 existing Split Share held on the Bonus Entitlement Date, which is intended to be on the same date as the Split Entitlement Date.

On 7 May 2018, UOBKH had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 7 May 2018, resolved to approve the Proposed Share Split as well as the listing of and quotation for 200,000,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue, subject to the conditions as set out in Section 6 of this Circular.

For information purpose, MSC is primarily listed on the Main Market of Bursa Securities and secondarily listed on the Main Board of SGX. Accordingly, the Split Shares and the Bonus Shares will also be secondarily listed on the Main Board of SGX.

On 22 February 2018, the Board has recommended the Proposed Final Dividend 2017 for approval at the forthcoming Thirty Ninth (39th) 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.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF MSC WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS OF MSC FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

SHAREHOLDERS OF MSC ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

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 Circular, 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 the 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	3.26	326
After the Proposed Share Split	200	1.63	326

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

Approval has been obtained from Bursa Securities vide its letter dated 7 May 2018 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. 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. 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) of the Listing Requirement (i.e. pricing condition of not less than RM0.50 based on daily volume weighted average share price during the 3-month period) 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 FYE 31 December 2017 (at the Company level) is set out below:-

Company level	Share premium RM'000	Retained earnings RM'000
Amount	74,666 ¹	116,988
Less: Proposed Final Dividend 2017 payable subject to shareholders' approval ²	-	(4,000)
Less: Amount to be capitalised for the Proposed Bonus Issue ³	(74,666)	(25,334)
Less: Estimated expenses	-	(120)
After the Proposed Bonus Issue	-	87,534

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 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 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 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 use of the Company's share premium for the purpose of the Proposed Bonus Issue is and will be in full compliance with Sections 618(3) & (4) of the Act applied in accordance with Practice Note No. 1/2017 dated 8 February 2017 issued by Companies Commission of Malaysia.

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 2017, and after taking into consideration 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

Approval has been obtained from Bursa Securities vide its letter dated 7 May 2018 for the listing of and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue 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. The Bonus Shares will also be secondarily listed on the Main Board of SGX.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

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

The effects of the Proposals on the issued share capital, NA per Share and gearing, earnings and EPS and substantial shareholders' shareholdings of the Company, are set out below:-

4.1 Issued share capital

The proforma effects of the Proposals on the issued share capital of MSC 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 NA per Share and gearing

Based on the audited consolidated statement of financial position of MSC as at 31 December 2017, the proforma effects of the Proposals on the consolidated NA per Share and gearing of the Group are set out below:-

	Audited as at 31 December 2017 RM'000	I After the Proposed Final Dividend 2017 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	174,666 ^{*1}	174,666	174,666	200,000 ^{*4}
Other reserves	43,651	43,651	43,651	43,651
Retained earnings	72,439	68,439 ^{*2}	68,319 ^{*3}	42,985 ^{*5}
Shareholders' funds/ NA (excluding non-controlling interest)	290,756	286,756	286,636	286,636
No. of Shares in issue (000)	100,000	100,000	200,000	400,000
NA per Share (RM)	2.91	2.87	1.43	0.72
Total borrowings (RM'000)	452,781	452,781	452,781	452,781
Gearing ratio (times)	1.56	1.58	1.58	1.58

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 *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*

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4.3 Substantial shareholders' shareholdings

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

Substantial shareholders	I						II											
	Shareholdings as at the LPD						After the Proposed Share Split						After I and the Proposed Bonus Issue					
	Direct----->		Indirect----->		No. of Shares		Direct----->		Indirect----->		No. of Shares		Direct----->		Indirect----->		No. of Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	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 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 FYE 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 LPD.

5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of MSC Shares as traded on Bursa Securities for the past 12 months from May 2017 to April 2018 are set out below:-

	High RM	Low RM
2017		
May	4.32	3.67
June	4.20	3.96
July	4.22	3.90
August	4.17	3.50
September	3.71	3.59
October	3.65	3.56
November	3.59	3.37
December	3.41	3.25
2018		
January	3.88	3.28
February	3.64	3.08
March	3.13	2.80
April	3.50	2.71
Last transacted market price on 20 April 2018 (being the last transacted date prior to the announcement on the Proposals)		2.87
Last transacted market price on the LPD		3.26

(Source: Bloomberg)

6. APPROVALS REQUIRED/ OBTAINED

The Proposals are conditional upon approvals being obtained from the following parties:-

- 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.

The approval of Bursa Securities was obtained vide its letter dated 7 May 2018 and subject to the following conditions:-

Conditions	Status of compliance
(a) MSC and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals	To be complied

Conditions	Status of compliance
(b) MSC and UOBKH to inform Bursa Securities upon the completion of the Proposals	To be complied
(c) MSC to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed	To be complied
(d) MSC and UOBKH are required to make the relevant announcement pursuant to Paragraph 13.10(2) of the Listing Requirements in relation to the Proposed Share Split	To be complied
(e) Shareholders' approval be obtained for the Proposed Share Split. In this respect, MSC is required to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Proposed Share Split prior to the listing and quotation of the subdivided shares	To be complied
(f) MSC and UOBKH are required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a) & (b) and 6.35(4) of the Listing Requirements in relation to the Proposed Bonus Issue	To be complied
ii. The shareholders of MSC for the Proposals at the forthcoming EGM of the Company. The voting on the resolutions pertaining to the Proposals at the aforesaid EGM shall be by way of a 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.

7. 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.

8. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposals to be completed by the third quarter of 2018. The tentative timetable in relation to the Proposals is set out below:-

Month	Events
30 May 2018	<ul style="list-style-type: none"> • EGM to obtain approval for the Proposals
12 June 2018	<ul style="list-style-type: none"> • Entitlement date for the Proposed Final Dividend 2017
Mid June 2018	<ul style="list-style-type: none"> • Announcement on the Split Entitlement Date and Bonus Entitlement Date
Early July 2018	<ul style="list-style-type: none"> • Split Entitlement Date and Bonus Entitlement Date • Listing of and quotation for the Split Shares and Bonus Shares on the Main Market of Bursa Securities

9. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (being subject matter in this Circular), the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

10. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects including the rationale and justifications as well as effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

11. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at Murai Room, LG Level - Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, Malaysia on Wednesday, 30 May 2018, at 11.30 a.m., or immediately following the conclusion or adjournment of the Thirty Ninth (39th) AGM of the Company scheduled to be held at the same venue and on the same date at 11.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, to be deposited at the registered office of the Company at Lot 6, 8 and 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, not less than 48 hours before the stipulated time for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

12. FURTHER INFORMATION

Shareholders are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
MALAYSIA SMELTING CORPORATION BERHAD

CHEW GEK KHIM, PJG
Non-Independent Non-Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to MSC for the Proposals.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group, upon becoming enforceable, may have a material impact on the financial results/ position of the Group:-

	RM'000
Capital expenditure for property, plant and equipment	
• Approved and contracted for	17,669
• Approved but not contracted for	<u>7,421</u>
	<u>25,090</u>

5. CONTINGENT LIABILITIES

Save for the liabilities which may arise from or pursuant to Section 6 below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group.

6. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group:-

A subsidiary company of MSC namely, Rahman Hydraulic Tin Sdn Bhd ("RHT"), is defending a legal action brought by two companies. RHT, via its lawyer, filed a Defence and Counter Claim Statement on the legal suit and RHT has strong grounds to defend the action based on legal advice. The legal suit is currently pending hearing. In the Directors' opinion, disclosure of additional information about the above matter would be prejudicial to the interests of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Lot 6, 8 and 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to the date of the forthcoming EGM of the Company:-

- i. Constitution of MSC;
- ii. Audited consolidated financial statements of MSC Group for the past 2 financial years up to the FYE 31 December 2017 and the latest unaudited quarterly report of MSC Group for the 3-month FPE 31 March 2018;
- iii. The letter of consent and declaration of conflict of interests referred to in Sections 2 and 3 above, respectively; and
- iv. The relevant cause papers in respect of the material litigation referred to in Section 6 above.

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MALAYSIA SMELTING CORPORATION BERHAD

(Company No.: 43072-A)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting of Malaysia Smelting Corporation Berhad ("MSC" or the "Company") will be held at Murai Room, LG Level - Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, Malaysia on Wednesday, 30 May 2018 at 11.30 a.m. or immediately following the conclusion or adjournment of the Thirty Ninth (39th) Annual General Meeting of the Company scheduled to be held at the same venue and on the same date at 11.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

ORDINARY RESOLUTION 1

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")

"**THAT** subject to the passing of Ordinary Resolution 2, and the approvals of all relevant authorities or parties being obtained, where required, approval be and is hereby given to the Board of Directors of MSC ("Board") to subdivide every 1 existing MSC Shares, held by the shareholders of MSC whose names appear in the Record of Depositors of the Company as at the Split Entitlement Date, into 2 Split Shares;

THAT the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Share Split, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

THAT the Split Shares will, upon allotment and issuance, rank *pari passu* in all respects with each other;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Share Split with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Share Split."

ORDINARY RESOLUTION 2

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 MSC SHARE HELD ON THE SAME ENTITLEMENT DATE AS THE PROPOSED SHARE SPLIT ("BONUS ENTITLEMENT DATE") ("PROPOSED BONUS ISSUE")

"**THAT** subject to the passing of Ordinary Resolution 1, and the approvals of all relevant authorities or parties being obtained, where required, in respect of the listing of and quotation for 200,000,000 Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad, the Board be and is hereby authorised to capitalise a total sum of RM100,000,000 entirely from the share premium account and the remaining balance from the retained earnings account of the Company for the purposes of the Proposed Bonus Issue;

THAT the Board be and is hereby authorised to apply such capitalisation sum for the issuance of 200,000,000 Bonus Shares to be credited as fully paid-up and such new Bonus Shares be allotted on the basis of 1 Bonus Share for every 1 Split Share to the shareholders of the Company whose names appear in the Record of Depositors as at the close of business on the Bonus Entitlement Date;

THAT the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Bonus Issue, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

THAT such 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 dividends, rights, allotments and/ or any other forms of distribution precedes the relevant date of allotment and issuance of the Bonus Shares;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient and in the best interest of the Company, to implement, finalise and give full effect to the Proposed Bonus Issue."

By Order of the Board
MALAYSIA SMELTING CORPORATION BERHAD

SOO HAN YEE (MAICSA 7008432)
Company Secretary

Selangor
15 May 2018

Notes:-

- (i) *A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint proxy(ies) to attend, participate, speak and vote in his/ her stead. A proxy may but need not be a member of the Company and there is no restriction as to the qualification of a proxy.*
- (ii) *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/ she specifies the proportions of his/ her shareholdings to be represented by each proxy.*
- (iii) *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- (iv) *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the registered office of the Company at Lot 6, 8 and 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, not less than 48 hours before the stipulated time for holding the EGM or at any adjournment thereof.*
- (v) *If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.*
- (vi) *Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of EGM will be put to vote on poll.*
- (vii) *In respect of deposited securities, only members whose names appear on the Record of Depositors on 24 May 2018 shall be eligible to attend the meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.*

PROXY FORM



MALAYSIA SMELTING CORPORATION BERHAD

(Company No.: 43072-A)
(Incorporated in Malaysia)

No. of ordinary shares held	CDS account no. of holder

I/ We, _____ (name of shareholder as per NRIC/ Passport, in capital letters), IC No/ Passport No./ Company No. _____ of _____ (full address) being a member of MALAYSIA SMELTING CORPORATION BERHAD (43072-A) hereby appoint * Mr/ Ms _____ (NRIC/ Passport No. _____) of _____ or failing whom *Mr/ Ms _____ (NRIC/ Passport No. _____) of _____ or failing *him/ *them, the Chairman of the Meeting as *my/ our *proxy/ proxies to attend, participate, speak and vote for *me/ us on *my/ our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held at Murai Room, LG Level - Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang, Malaysia on Wednesday, 30 May 2018 at 11.30 a.m. or immediately following the conclusion or adjournment of the Thirty Ninth (39th) Annual General Meeting of the Company scheduled to be held at the same venue and on the same date at 11.00 a.m., whichever is later.

My/ our proxy/ proxies is/ are to vote as indicated below:-

RESOLUTIONS	FOR	AGAINST
ORDINARY RESOLUTION 1 – PROPOSED SHARE SPLIT		
ORDINARY RESOLUTION 2 – PROPOSED BONUS ISSUE		

(Please indicate with an "X" in the appropriate box against the resolutions on how you wish your proxy to vote. The proxy is to vote on the resolutions set out in the Notice of EGM as you have indicated. If no specific instruction as to voting is given, this form will be taken to authorize the proxy to vote at his/ her direction.)

Dated this day of 2018

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	<u>No. of shares</u>	<u>Percentage</u>
Proxy 1		%
Proxy 2		%
Total		100%

Signature/ Common Seal of Shareholder

Notes:-

- (i) A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint proxy(ies) to attend, participate, speak and vote in his/ her stead. A proxy may but need not be a member of the Company and there is no restriction as to the qualification of a proxy.
- (ii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/ she specifies the proportions of his/ her shareholdings to be represented by each proxy.
- (iii) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (iv) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the registered office of the Company at Lot 6, 8 and 9, Jalan Perigi Nanas 6/1, Pulau Indah Industrial Park, West Port, Port Klang, 42920 Pulau Indah, Selangor, not less than 48 hours before the stipulated time for holding the EGM or at any adjournment thereof.
- (v) If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
- (vi) Pursuant to paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of EGM will be put to vote on poll.
- (vii) In respect of deposited securities, only members whose names appear on the Record of Depositors on 24 May 2018 shall be eligible to attend the meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.



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AFFIX
STAMP

The Company Secretary
MALAYSIA SMELTING CORPORATION BERHAD (43207-A)
Lot 6, 8 and 9, Jalan Perigi Nanas 6/1
Pulau Indah Industrial Park
West Port, Port Klang
42920 Pulau Indah
Selangor

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