

PRESS CUTTINGS

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Perstima share price up on stellar earnings

PETALING JAYA: Tinplate manufacturer Perusahaan Sadur Timah

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data showed. Things could turn quickly; should mediation fail and work stops at Escondido, emphasizing bullish

Shanghai Futures Exchange are at the lowest since January. Investors who have focused on the US-China trade war have one

Group Inc analysts estimate. Mediation at Escondido has ended, and without an extension or agreement the strike could start today.

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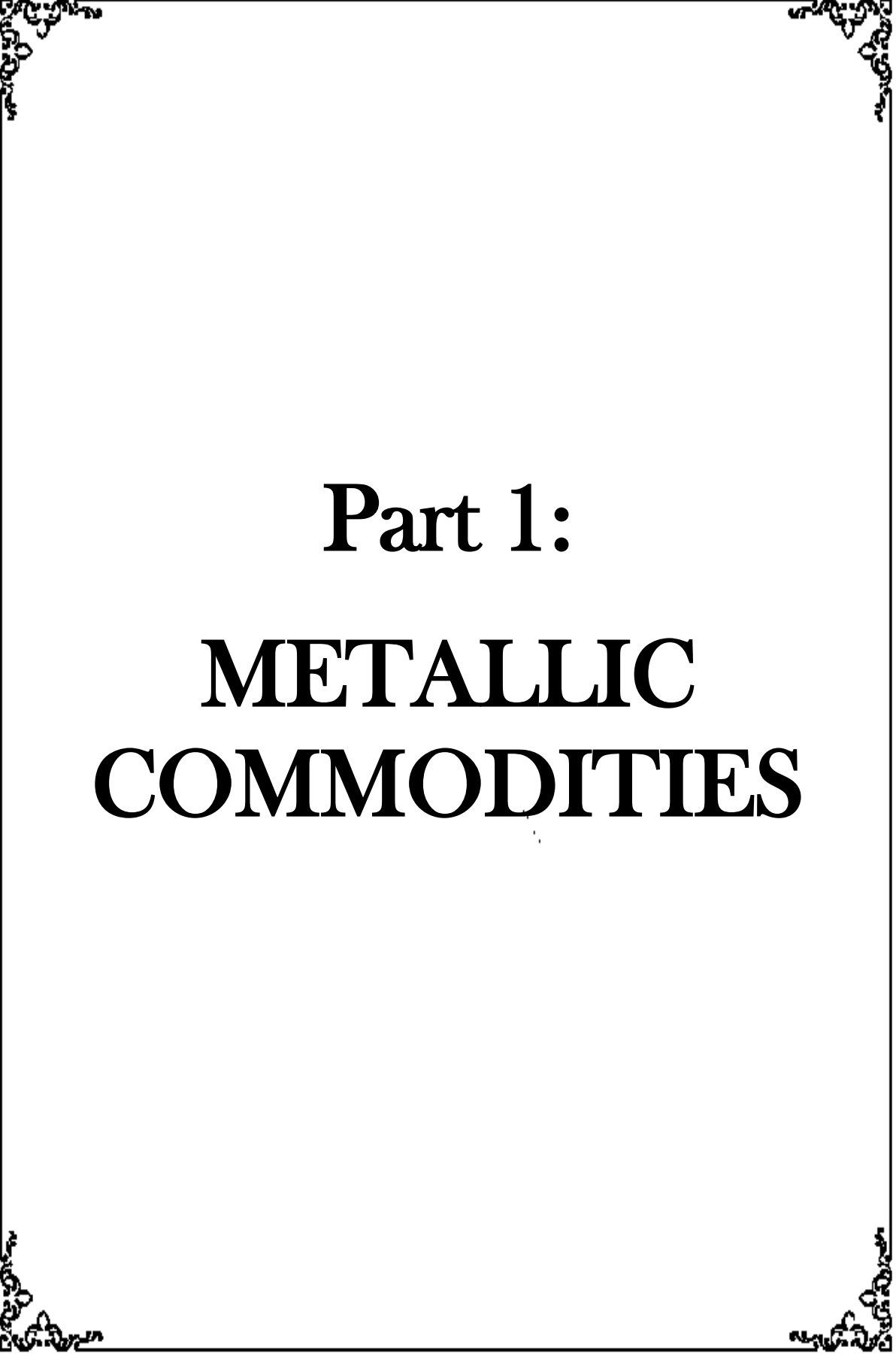
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Part 1:

**METALLIC
COMMODITIES**

Perstima share price up on stellar earnings

PETALING JAYA: Tinsplate manufacturer Perusahaan Sadur Timah Malaysia (Perstima) Bhd's share price spiked 7.4% to a year-to-date high of RM5.20 as of yesterday's close, on the back of stellar first-quarter earnings.

As of mid-day, the stock rose 6.8% to RM5.17, and total shares traded for the day amounted to 187,500 shares.

Perstima registered a three-fold increase in net profit for the quarter ended June 30 to RM12.14mil compared with the same period last year.

According to a filing with Bursa Malaysia, this was due to a higher profit margin despite a lower sales volume during the quarter.

Revenue increased 0.6% to RM238.83mil as compared to the previous corresponding quarter due to higher selling prices.

"The board of directors expects the group's operating environment to remain challenging and competitive due to a higher presence of imports from overseas, in addition to the volatility of the ringgit against the US dollar.

"Although this factor will affect the growth and profitability of the group, the management will continue with its production efficiency, cost-saving measures and marketing efforts for the group to be profitable," said Perstima.

Revenue for Perstima's Malaysian operations decreased by 6.8% to RM11.7mil compared with the corresponding quarter last year due to a lower sales volume, while its Vietnam subsidiary saw a 19.7% increase in revenue to RM13.4mil.

Future of bauxite mining in hands of Pahang govt

THE future of bauxite mining in Pahang will be thrashed out in a meeting between the state authorities and the government as a moratorium continues until the end of the year.

But Water, Land and Natural Resources Minister Dr Xavier Jayakumar said any decision on bauxite mining would be made by the state government, as mining permits come under its purview.

"I have now asked for another meeting with the state authorities, the menteri besar and his team to talk to me about the future of bauxite mining in Pahang.

"We want to know if they are interested in pursuing it or they don't want bauxite mining anymore," he told reporters.

The meeting with Pahang Menteri Besar Datuk Seri Wan Rosdy Wan Ismail, said Dr Xavier, would take place in about two weeks.

"I will then hold another meeting with the industry players to get their views on the matter," he said.

We want to know if they are interested in pursuing it or they don't want bauxite mining anymore.

Dr Xavier Jayakumar

Dr Xavier said he recently met state elected representatives and Members of Parliament from Pahang to brief them on the current situation.

The discussions, he added, also touched on matters such as environmental degradation due to bauxite mining and the remaining stockpile.

The moratorium on bauxite mining, Dr Xavier confirmed, would be enforced until Dec 31.

Bauxite miners in the state are demanding that the government give a clear answer on whether they can continue mining.

The moratorium was imposed in January 2016 following public uproar over environmental degradation.

It was estimated that some 20 million tonnes of bauxite were mined in Pahang in 2015.

Sarawak corridor attracts RM79.3bil in investments

Ten projects are already in operation

By JACK WONG
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KUCHING: Sarawak Corridor of Renewable Energy (Score), which is now into its phase two development, has attracted about RM79.3bil investments from both the private and public sectors.

Score, one of Malaysia's five economic corridors, marks its 10th anniversary this year.

Approved total private investments in 22 projects involving various industries amounted to RM33.6bil. Ten of the projects, mostly energy-intensive and heavy industries, are already in operation, according to Regional Corridor Development Authority (Recoda) chief executive officer Datuk Ismawi Ismuni.

The pioneer Score investors in Samalaju Industrial Park, Bintulu are Press Metal Aluminium Holdings Bhd (aluminium smelter), OM Materials (Sarawak) Sdn Bhd, Pertama Ferroalloys Sdn Bhd and Sakura Ferroalloys Sdn Bhd (ferrosilicon and manganese smelters), OCI Malaysia Sdn Bhd (formerly Tokuyama Malaysia Sdn Bhd) (polycrystalline silicon manufacturer). Also in operations in the park are Iwanti-SIG Industrial Gas Sdn Bhd and Elkem Carbon Malaysia Sdn Bhd.

Press Metal also owns an aluminium smelting plant in Mukah, one of Score's five growth nodes.

In the Tanjung Manis growth node, two agro-based projects owned by Taiwan's Sea Party and Fieldmart Sdn Bhd (Malaysia-Japan joint venture) are in operation.

These 10 projects involved total investments of about RM18.5bil.

For the remaining 12 approved projects, two each are in the construction stage and site preparation while the balance eight are under negotiations.

"Score has created more than 61,000 jobs. For Samalaju alone, the



Hydro-electric power: Sarawak Energy also owns Murum dam which cost RM4.8bil to build and produces 944MW.

spin-off of RM500mil a month injected into the local economy is benefitting the small and medium enterprises (SMEs)," said Ismawi.

Ismawi said out of Score's 10 priority industries, four were trigger industries – aluminium, steel, oil-based and glass – which had the ability to attract cluster industries.

"There are still investors who are keen to invest (in Score) because of the energy and competitive edge we have.

"We have sold out almost all of our Bakun dam power (2,400MW). We are now running out of power, so we build more hydro dams," said Ismawi in a paper presentation on "Let's invest in Sarawak: The opportunities and Potentials" business session during the inaugural Sarawak-China business forum last week.

He said the green and renewable hydro energy was the key attraction

for heavy and energy intensive industries to set up manufacturing facilities in Score.

Sarawak Energy Bhd (SEB) recently acquired Bakun dam from the federal government for RM9bil. It also owns Murum dam (944MW) built for RM4.8bil and is now undertaking the RM9.5bil Baleh dam (1,285MW) project for scheduled commissioning by 2025.

SEB's power generation is further boosted with the commissioning of the Balingian coal-fired power plant (624MW).

SEB's available power capacity for Score was 3,837MW last year against customer demand of 3,434MW. This is expected to increase to 4,430MW and 4,162MW respectively in 2020.

Ismawi said the public investment in Score involved mainly infrastructure development, like roads and bridges, water supply

and telecommunication.

State-owned SEB has made significant investment in the power sector to bring electricity from the Bakun and Murum dams in the upper Rejang basins to the industrial park.

He said a deepsea port had been built to serve industries in Samalaju Industrial Park in the import of raw materials and export of finished products.

Score has made another milestone with the extension of its boundary by 30% to about 100,000 sq km from 77,000 sq km early this year.

"The extension of score boundary now covers the entire Limbang Division (in northern Sarawak bordering Sabah)," said Ismawi.

To accelerate the development of Score hinterland, the state government has set up three development agencies under Recoda. They are Upper Rejang Development Agency, Highland Development Agency and Northern Regional Development Agency.

Ismawi said the three agencies were tasked to bring development into the rural and interior Sarawak.

Six economic trigger projects – aquaculture, tourism, forestry, palm oil, rubber and biotechnology – have been identified for the Score hinterland which is endowed with abundant natural resources.

For the highland development, the focus is on commercial agriculture and production of highland crops. An integrated highland agriculture station, which is under construction, is expected to serve as a catalyst for commercial agriculture development.

"For commercial agriculture, we need to bring in anchor farmers," said Ismawi.

He sees the lack of basic infrastructure as a big challenge in the development of green-field areas in the Score hinterland.

More headwinds for Malaysian steel sector

Declining demand, ongoing trade wars to impact the industry until 2019

By P. ARUNA
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PETALING JAYA: Changes in global trade policies, tepid global demand and cost issues are expected to continue to disrupt demand for steel from Malaysia, negatively impacting the sector this year and next.

One good news for the sector, however, is the exclusion of building materials and construction services from the Sales and Services Tax (SST), according to MIDF Research.

In a report, the research house said recovery for the steel sector will be slower than expected, due to more headwinds from the ongoing trade wars.

“Currently, street” has priced-in the risk from trade wars such as tariff imposition and duty order from local steel exporter for products bound for the US and Europe.



Downtrend: An Ann Joo Resources steel facility. Maybank IB, in a report on Ann Joo Resources, noted that the steel company's share price had fallen 46% year-to-date.

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“On the other hand, China’s demand for steel is shaky, coupled with the slump in their construction industry,” it said.

China’s manufacturing sector takes up to 360 million tonnes of steel annually, close to 60% of the country’s annual consumption.

However, demand is expected to decline due to China’s environmental health and occupational safety policies.

Global steel demand is expected to be lackluster, growing to 1,616.1 million tonnes, or 1.8% year-on-year in 2018, and to 1,626.7 million tonnes in 2019, representing a 0.7% increase.

“This means less demand for export for the local steel mill. Most of the local companies are affected by unwavering overhead costs and operation expenditure making the sector unattractive,” it said.

On the SST, the research house noted that

the exclusion for building materials and construction services from the tax will give the sector a much needed breather.

The sector has been impacted due to the cancellation and scaling down of several mega infrastructure projects by the government.

“SST will enable steel sector to maintain its product supply to construction sector without any additional cost,” MIDF Research said.

Maybank Investment Bank (IB) Research, in a report on Ann Joo Resources Bhd, noted that the steel player’s share price has fallen 46% year-to-date.

It lowered its FY18-FY20 earnings per share forecasts by 3%-13% on expectation of weaker demand in the second half (H2) of 2018,

and higher electricity cost from H2’18 onwards.

It however, has a “buy” call on the counter. “We think the stock is oversold with its 12-month rolling forward price earnings ratio at six times,” it said.

The research house added that despite the import tariff in the US, the international average selling price of steel has remained relatively stable between May and July 2018, indicating that the import tariff does not tilt the global demand-supply balance.

It noted that even if the US maximises its local steel plant capacity utilisation to 97% in order to substitute imports, the additional supply from US could be offset by China’s plan to cut steel capacity in 2018.

Copper vulnerable to supply shock

BHP Billiton faces strike that may start today following failed wage talks

NEW YORK: Copper bears could get caught wrong-footed as a strike looms at the world's biggest mine.

In the United States, hedge funds' bearish bets outnumber bullish wagers by the most since 2016, latest government data show.

The top brokers on the Shanghai Futures Exchange boosted their net-short position by more than half.

Sentiment has turned increasingly negative even as BHP Billiton Ltd and workers at its Escondida mine in Chile approach the end of a government-led mediation, after wage talks failed. A strike could start as early as today.

Copper has slumped 17% this year on Comex as an escalating trade war between the United States and China threatens global growth, fueling demand concerns for the metal that goes into building power grids, homes, cars and electronic gadgets.

Societe Generale SA analyst Robin Bhar said the market is "fixated" on concerns about the global economy,

ignoring the bullish factors that could send prices higher, including potential strikes in Chile.

"The market maybe isn't priced correctly," Andrew Cosgrove, a Bloomberg Intelligence senior analyst, said by telephone, citing the risk of supply disruption.

"Last year, the market was net-long going into what was the beginning of a strike."

Copper, often seen as a barometer of economic growth, posted the eighth weekly loss in the past nine.

Futures for September delivery slipped 0.3% to trade at US\$2.7340 a pound yesterday on the Comex in New York.

Money managers' net-short position, or the difference between bets on price declines and wagers on price gains, reached 29,986 futures and options as of Aug 7, according to Commodity Futures Trading Commission data released last Friday.

Bearish wagers are near the highest on records going back to 2006,

data showed.

Things could turn quickly, should mediation fail and work stops at Escondida, squeezing bearish money managers and brokers in China and the United States.

Labour tensions in Chile aren't restricted to the BHP-owned behemoth.

Pan Pacific Copper Co's Caserones mine is following a similar path, with almost 99% of union members voting to reject the company's latest wage offer, and a stoppage scheduled to begin today.

The giant Chuquicamata open pit has been hit by protests as workers fret about a transition to underground operations that require a smaller workforce.

There's less cushion to protect users of the metal against supply shocks, with stockpiles tracked by the London Metal Exchange down more than a third since the end of March, while those in warehouses monitored by Comex are at the lowest in 10 months.

Inventories tallied by the

Shanghai Futures Exchange are at the lowest since January.

Investors who have focused on the US-China trade war have one other thing to consider: Beijing's decision to slap a 25% tariff on American scrap would make refined copper more attractive than the recycled material, boosting the Asian nation's imports of new metal, according to SMM Information & Technology Co.

The United States supplied about 535,000 tonnes of copper scrap to China last year, about 15% of the nation's overseas purchases.

That could further bolster demand at a time when the Chilean mining industry is seeing a record number of collective bargaining negotiations, that have the potential to disrupt operations.

Last year, when BHP and the union failed to reach an agreement, a 44-day strike at the world's largest copper mine and a slower ramp-up at Escondida's third mill cut output by 300,000 tonnes, Goldman Sachs

Group Inc analysts estimate.

Mediation at Escondida has ended, and without an extension or agreement, the strike could start today.

The two parties' positions seem far apart after more than two months of discussions, with 84% of workers rejecting the company's last offer.

The union is already geared up for a work stoppage, having stashed away about US\$864,000 to cover costs during a possible month-long strike.

The miner made improvements to its wage offer over the weekend, but said they don't constitute a new offer that would go to a union vote.

"Positive fundamentals take a backseat," Societe Generale's Bhar said in a note Thursday.

"Macro woes, which could be indicating sluggish demand and a potential economic slowdown are overshadowing short-term bullish factors," including the potential strikes in Chile and declining inventories, he said. — Bloomberg

China may become inadvertent winner from aluminium tariffs

LAUNCESTON (AUSTRALIA): It's probably not what US President Donald Trump had in mind when imposing tariffs on aluminium imports, but it looks likely that some of the big winners from the 10% import tax will be China's producers.

While Chinese aluminium companies now face the same tariff obstacle as other exporters to the United States, they appear better placed to benefit from some of the (most likely) unintended consequences of the Trump administration's policies.

The Trump tariffs and measures against major Russian producer Rusal, along with a strike at Alcoa's alumina and bauxite operations in Western Australia are combining to roil aluminium markets.

Throw in Trump's move to double the tariff on aluminium from Turkey and the result is a market that was most likely in a small supply deficit this year is now more concerned about the risk of supply disruptions.

Rusal, which produced 1.87 million tonnes of aluminium in the first half, is a major supplier not only to the United States, but also to other countries around the world.

It is reportedly concerned that it would have to halt production or stockpile output if an agreement on US sanctions against it cannot be reached.



Big gains: While Chinese aluminium companies now face the same tariff obstacle as other exporters to the United States, they appear better placed to benefit from some of the most likely unintended consequences of the Trump administration's policies. — AFP

The Trump administration has given Rusal's US customers until Oct 23 to end their business with the Russian company.

If no deal is reached to extend, or amend, that deadline, the aluminium market is likely to face severe disruptions as Rusal's output is blocked from world markets.

The Trump tariffs are also hurt-

ing the US aluminium producers they are designed to help, with Alcoa asking for an exemption from the tariffs because it imports essential aluminium products from its facilities in Canada.

Alcoa said in July it would incur as much as US\$14mil a month in extra expenses, mainly from tariffs levied on aluminium imported

from Canada, its biggest supplier.

If Rusal is largely blocked from the global aluminium market, and if strikes do translate into supply disruptions, there are very few producers currently able to take advantage.

China's aluminium producers do have spare capacity, and assuming they can work their way around some of the pollution measures, they are able to make more of the lightweight metal, used in products such as beverage cans and motor cars.

Global aluminium output was 5.321 million tonnes in June, down 2.2% from the previous month, according to figures released on July 20 by the International Aluminium Institute.

However, China's aluminium output, which is more than half of the global total, ramped up in June to 2.83 million tonnes, up 1.6% from the prior month, according to official figures.

Daily production in June was about 94,000 tonnes, the second-highest on record, according to Reuters calculations.

China's smelters are responding to a rising domestic prices, with benchmark Shanghai futures up 5% from the recent low in mid-July to the close of 14,520 yuan (US\$2,110) a tonne on Aug 10.

While the US tariffs on alumi-

um imports have only been in effect since the start of June, they don't appear to be hurting Chinese exports as yet.

Exports of unwrought aluminium and products surged to the second-highest on record in July, coming in at 519,000 tonnes, according to preliminary trade data released on Aug 8.

This was up 18% from the same month in 2017, and year-to-date exports are 13.6% higher than for the first seven months last year.

This data doesn't suggest the Chinese aluminium sector is struggling, the main issue for them will be attempting to maximise output while complying with a new round of pollution restrictions.

However, newer and more efficient smelters may help China produce more aluminium at a lower cost, while also reducing the emissions intensity per unit.

When Trump launched his initial steel and aluminium tariffs his tweeted that "trade wars are good, and easy to win".

For aluminium, his actions have so far disrupted supply chains, angered the top producer in his own country, increased manufacturing costs in the United States and elsewhere, and possibly made his No. 1 target, China, the main beneficiary. — Reuters

Choo Bee Metal net profit climbs to RM10.2mil

PETALING JAYA: Choo Bee Metal Industries Bhd has registered a net profit of RM10.2mil for the second quarter ended June 30, bringing its first-half net profit to RM20.66mil.

This represents an increase of 62.5% and 15.7%, respectively, as compared to the corresponding period last year.

According to a Bursa Malaysia filing, the higher net profit recorded was mainly attributed to the greater contribution from the trading segment due to an increase in demand, as well as higher average selling prices, which strengthened profit margins.

“Steel demand is expected to benefit from the strengthening recovery in investment levels and commodity prices, both in developed and developing economies.

“However, the rising United States-China trade tension, and probable US and European Union monetary policy changes could erode this momentum, although there is no discernible impact yet. Over the past month, new players have also been seen entering the Asean regional market, as exporting mills scour for new markets as a substitute to the US,” said Choo Bee.

The group added that the domestic market would be challenging due to the new Pakatan Harapan government’s economic policy changes, as well as austerity measures to curb excessive expenditure, which has seen some major infrastructure projects being terminated or downsized.

“We expect this scenario, which will affect steel demand to be temporary, as such measures are believed to augur well for the future and will place the country’s economy on a firmer footing,” said Choo Bee.

Tata Steel climbs after quarterly profit doubles

MUMBAI: Tata Steel Ltd shares advanced in Mumbai after the company said first-quarter profit doubled, with results bolstered by rising demand in India and growth in the global market supported by lower exports from China.

Net income surged to 19.5 billion rupees (US\$279mil) in the three months to June, from 9.18 billion rupees a year earlier, according to a statement on Monday. Revenue climbed about 22% to 378 billion rupees.

The stock rose as much as 3.2% to 587 rupees, the day's second-best performer on the benchmark S&P BSE Sensex Index.

The global steel industry is benefiting from China's push to curb pollution, which has led to capacity closures, lower exports and higher prices, with top producer ArcelorMittal reporting its highest quarterly income in seven years.

In India, booming demand has been driven by government spending on infrastructure and strong demand from the automotive sector.

"Tata Steel delivered strong performance across all geographies on the back of strong steel demand and buoyant spreads," managing director T. V. Narendran said in a state-

ment. The company's deliveries in India grew 14% on year, higher than the market, which saw 9% growth, he said.

Tata Steel has shifted its focus to the Indian market – the company's European operations are in the process of being merged with Thyssenkrupp AG – and the Mumbai-based company plans to double local capacity within five years.

In May, Tata made its biggest purchase since acquiring Britain's Corus Group Plc by buying Bhushan Steel Ltd and it's battling in the courts to take over another mill being sold under India's new bankruptcy law. — Bloomberg

Press Metal Q2 profit rises 7%

Higher aluminium prices, stronger greenback lift company's performance

By **TEE LIN SAY**

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PETALING JAYA: South-East Asia's largest aluminium smelter Press Metal Aluminium Holdings Bhd's net profit for its second quarter to end-June rose 6.9% to RM160.6mil on the back of higher aluminium prices and a stronger US dollar.

Offsetting these were external factors such as increased raw material prices caused by alumina supply disruptions from Brazil.

Earnings per share (EPS), thus, increased to 4.15 sen from 4.02 sen previously.

Revenue jumped 24.67% to RM2.44bil for the quarter, mainly due to higher metal prices.

For the period, the company has declared a second interim dividend of 1.5 sen.

This is the same amount it had declared in the same period of the previous year.

As of June 30, the company had cash and cash equivalents of RM203.71mil from RM287.85mil in

the previous corresponding period.

For the six-month period, meanwhile, net profit rose 4.31% to RM311.08mil on the back of a 17.32% increase in revenue to RM4.5bil.

EPS, thus, increased to 8.05 sen from 8.02 sen before.

Total dividends declared are, therefore, three sen, the same amount as in the previous corresponding period.

In a statement, group chief executive officer Tan Sri Paul Koon said external uncertainties continue to exist in the global supply chain as a result of United States tariffs and sanctions, and this is amplified by the ongoing alumina supply disruptions.

"Internally, we continue to strengthen ourselves vertically through our joint venture (JV) with Sunstone Development Co Ltd in China for the manufacturing of pre-baked carbon anodes, which is a key raw material for our smelting activities.

"The plant is under construction

and on-track for commissioning in the last quarter of 2018. Our plan to increase our value-added products from our smelting operations is panning out well, and we are on our way to achieving 50% contribution by the end of the year.

Aside from providing better margins, this will entrench our position directly with end-users to strengthen our position and branding in the long run," said Koon.

On Sept 20, 2016, Press Metal announced that it had entered into a JV agreement with Sunstone Development, whereby the group agreed to participate in the establishment and operation of a new JV company, namely, Shandong Sunstone & PMB Carbon Ltd Co in China for the primary purpose of manufacturing pre-baked carbon anodes.

The group had on Jan 22 this year injected 52.8 million yuan (approximately RM32.4mil) being the investment cost for this JV, and currently, the plant construction is in progress.

He added that Press Metal had also increased its extrusion capacity in both its Kapar and Foshan plants by an aggregate of approximately 30%.

The increased capacity in both its value-added and extrusion businesses are in line with its plans to expand into new markets.

With more diversified coverage, Press Metal said that it would be able to mitigate susceptibility to jurisdictional policies.

"It is normal for all businesses to face challenges, but we seek to thrive within such circumstances. We are still on a growth path and evaluating suitable opportunities for inorganic expansion," said Koon.

In a separate filing, Press Metal said it had appointed Lim Hun Soon@David Lim as an independent and non-executive director.

Lim had served in KPMG from 1978 to 2011 and has directorships in several companies, which include Affin Hwang Investment Bank Bhd and Kawan Food Bhd.

Stronger second half seen for Press Metal

PETALING JAYA: Press Metal Aluminium Holdings Bhd is expected to record a stronger second half (2H18) on the back of a stronger US dollar against the ringgit, lower carbon anode prices and a better product mix, said Kenanga Research.

The research house said that the largest aluminium smelter in South-East Asia's 1H18 core net profit of RM316mil had come in within both its RM720mil forecast at 44% and consensus' RM761mil estimate at 42%.

The 1H18 core net profit excludes unrealised forex losses of RM5.2mil.

"There is normally a 6-8 weeks impact lag in capturing the fluctuations in carbon anode prices due to an order-to-delivery time gap.

"Hence, we believe the full benefit of lower carbon anode price would only kick in during Q318," it said in its report.

In addition, the research house said it was upbeat about the group's ongoing plan to raise wire rod capacity to 200,000 MT by year-end.

It said this should lift the composition of high-value product to near 50% and underpin profit margins in the second half.

"However, we note that news flows such as US' sanctions on Rusal and partial closure of Brazil's Alunorte plant could continue to create volatility in the alumina and aluminium markets and affect Press Metal's profitability.

"Should the said sanction be lifted or Alunorte plant restart, aluminium and alumina prices could see a temporary pullback, which is unfavourable to Press Metal Aluminium given that it hedges alumina inputs but not aluminium sales," it said.

OM Sarawak ramps up output with operation of 16th furnace

By JACK WONG
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KUCHING: OM Materials (Sarawak) Sdn Bhd, which owns a ferro alloy smelting plant in Samalaju Industrial Park, Bintulu, has bolstered production.

It is currently in full stream operation after the it fully ramped up its last and 16th furnace.

According to Australian-listed OM Holdings Ltd (OMH), this 16th furnace commenced production in June (2018).

OMH has a 75% stake in OM Materials Sarawak. Cahya Mata Sarawak Bhd (CMS) owns the remaining 25% equity interest in the joint venture company.

Out of the 16 units of 25.5 MVA furnaces, nine are producing standard grade ferrosilicon (FeSi), one producing refined FeSi while the remaining six producing manganese alloy.

The plant has a design capacity to produce between 200,000 and 210,000 tonnes of FeSi and 250,000 to 300,000 tonnes of manganese alloy per annum.

OM Materials Sarawak is the first of three ferro alloy smelters currently in operation in Samalaju, one of the growth nodes of Sarawak Corridor of Renewable Energy (SCORE).

The others are Sakura Ferroalloys Sdn Bhd and Pertama Ferroalloys Sdn Bhd, which is a joint venture involving four companies, namely Hong Kong's Asia Mineral Ltd, Japan's Nippon Denko Co Ltd, Shinsho Corp. and

Carbon Corp Sdn Bhd.

Sakura is a tripartite joint venture between South Africa's Assmang Pty Ltd, Japan's Sumitomo Corp and Taiwan's China Steel Corp.

OMH said the Samalaju plant FeSi furnaces' output had consistently exceeded the design capacity of 55 tonnes per furnace per day since the first quarter of 2016.

In the second quarter ended June 30, 2018 (2Q-2018), these furnaces achieved an average daily production output of 63 tonnes each.

"The SiMn (silico-manganese) and HCFeMn (high carbon ferromanganese) have also out-performed their respective furnace design capacity of 100 tonnes of SiMn and 150 tonnes of HCFeMn per furnace per day, with average daily production output achieved of 102 tonnes and 153 tonnes respectively for 2Q-2018," the company added when announcing its latest quarter results recently.

During the quarter under review, OM Materials Sarawak produced 52,171 tonnes of FeSi, which was about 23% higher than 2Q-2017, and 61,229 tonnes of manganese alloy.

"There was a marginal production decrease of approximately 4% for manganese alloy in 2Q-2018 mainly due to the development and production of higher grades of manganese alloys as demanded by the market," said OMH.

In 2Q-2018, OM Materials Sarawak sold 44,766 tonnes of FeSi and 53,782 tonnes of

manganese alloy, which were lower by 25% and 18% as compared to 59,582 tonnes and 65,813 tonnes respectively in 1Q-2018.

The company attributed this to two festivals (Gawai Dayak and Hari Raya Adilfitri) in June, which had an impact on local manpower, logistics support and, consequently, the quantity of products shipped.

In first half of this year, OM Materials Sarawak produced 104,602 tonnes of FeSi and 124,979 tonnes of manganese alloy and sold 104,348 tonnes and 119,595 tonnes, respectively, during the same period.

OMH disclosed recently its plan to invest in a sinter plant, which would have a capacity of 200,000 tonnes per annum, in Samalaju.

According to the company, the proposed plant would fit into its strategy as the plant would put together iron ore dust with other fine materials at high temperatures to create sinter for use in blast furnaces.

OMH unit OM (Qinzhou) Co Ltd's smelting facilities in GuangXi, China has a production capacity of 300,000 tonnes per annum of sinter ore and 80,000 tonnes per annum of HCFeMn.

There is also a plan for OM Materials Sarawak to recover waste heat and gases from its furnaces for power generation.

OMH had said that its strategy and long-term plan for OM Materials Sarawak is to develop silicon metal production.

Separately, CMS said the strong turnaround of its associate OM Materials Sarawak boosted its earnings this year.

The main contributor was OM Materials (Sarawak), where a net profit of RM48.45mil was registered for CMS's 25% stake, compared to a loss of RM26.21mil for the same corresponding period in 2017.

"This strong performance by OM Materials Sarawak is expected to be sustained if ferrosilicon and manganese alloy prices and production outputs are maintained at their current levels," CMS said when releasing its second quarter results ended June 30, 2018 last Friday.

In the first half of 2018, CMS group's net profit jumped to RM130.60mil from RM83.30mil for the same period a year ago. Revenue rose by 15% to RM750.3mil from RM650.2mil.

CMS other associates – SACOFA Sdn Bhd, KKB Engineering Bhd and Kenanga Investment Bank Bhd – also registered better results.

"We believe that our growth strategy for our strategic investments to drive the next wave of growth for CMS group is beginning to come to fruition. The aim of this growth strategy is for our traditional core businesses and our strategic investments to equally contribute to double the group's earnings in the next three to five years," said group chief executive officer (corporate) Datuk Issac Lugun.

The group core businesses are in cement manufacturing, road construction and maintenance as well as supply and trading of construction materials. It is also into property development.

Brace for gold rush

Merchants want the Government to exempt gold jewellery from SST as yellow metal prices are very low

IPOH

By ALLISON LAI
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A LOT that glitters is gold and now is a good time to buy it.

As gold prices dropped to a six-month low owing to a surge in US dollars, this could be an opportune time to buy precious yellow metal jewellery for both investment and keepsake purposes, and what more with the zero-rated Goods and Services Tax (GST).

Perak Gold Smith Merchant Association president Low Wai Chee said gold merchants in the state saw between 20% and 50% increase in sales during the tax-free period.

"The price of gold is declining due to the strengthening of the US dollar since June.

"With zero-rated GST, more customers are buying gold jewellery," he told *StarMetro*.

Low, who has more than 60 years experience in the gold jewellery industry, said the present gold price of US\$1,210 (RM4,961) per ounce (28.35g) was lower compared to US\$1,250 (RM5,125) recorded late last year.

"When GST was imposed, we were badly affected as gold jewellery manufacturers and exporters had to spend up to RM1mil in GST to import gold bars used to make various gold jewellery.

"As for merchants, the tax was passed on to the consumers as prices of gold were offered inclusive of GST at retail stores.

"Both export and domestic sales for gold jewellery suffered as sales plunged between 30% and 80%.

"The complicated filing, paperwork and GST procedures put a toll on many exporters while merchants who could not compete opted to shut down," Low said.

He added that Malaysia's gold jewellery had a good reputation and demand in the international market.

Designed purely by Malaysian craftsmen, our homemade jewellery enjoyed good export after Italy in the international market, he said.

"It was a pity that some of the reputable players with calibre had to quit the business.

"With zero-rated GST now, we hope this will bring more good vibes to the gold jewellery industry in Malaysia," Low said.

According to reports, Malaysian goldsmiths export about 60 metric tonnes of finished gold jewellery products yearly to countries such as UAE, Singapore, Thailand, Hong Kong and Japan.

Statistics from the International Trade and Industry Ministry states that gold jewellery, and silver and platinum exports increased year-on-year, from RM5.4bil in 2010 to RM6.7bil last year.

Low, however, said he did not expect the price of gold to fall any lower than US\$1,200 (RM4,920) per ounce, which is the cost price of mining for the precious metal.

"This is likely the end of the trend because the price is really low now. "It can be due to many factors such as the global financial market, currency development and development in the financial powerhouses of the United States and China.

"Nobody can tell what is going to happen next," he added.

A check at a goldsmith and jewellery shop in Taman Jubilee, Ipoh, showed 916 gold was priced at RM178 per gram with zero GST, down from the previous RM195 per gram with 6% GST recorded in December last year.

A standard price decrease of RM17 per gram was also seen for other types of gold with different purity, such as the 999 pure gold, 835, 750 and 375.

A gold store manager named Tim who has been in the industry for 30 years, said gold jewellery prices were only updated when there were changes in the international market.

"916 gold is the most popular and sought-after type of jewellery because of a wide variety of designs and its high gold purity at 91.6%.

"Compared to the soft 999 pure gold, 916 gold is alloyed with a mixture of metals to make it harder and suitable for wearing," he said.

Tim said other types of gold with

lower purity were also available and cheaper.

He said the Chinese community usually buy gold when there is a celebration such as engagements, weddings or birthdays.

"Not many buy for investment and keepsake, but most of our Malay customers buy gold for investment, keepsake and to wear," he said.

On the reintroduction of the Sales and Service Tax (SST) in September, Low requested the Pakatan Harapan Government not to impose SST on gold products.

"Before GST, gold products were not subjected to the previous SST.

"We hope to return to how it was prior to GST because it will be a big encouragement for the industry," he said.

On August 12, Finance Minister Lim Guan Eng said he would exercise his ministerial power to waive the SST on the gold and goldsmith industry to encourage local industry growth.

Lim, who attended the annual Penang Signature Gold Fair dinner, called on industry players to work together to grow bigger and make Malaysia the global top 10 gold and jewellery exporter again.

Realising that GST affected the industry, Lim said those in the gold and goldsmith industry had no choice but to grow bigger in order to stay tax-free.

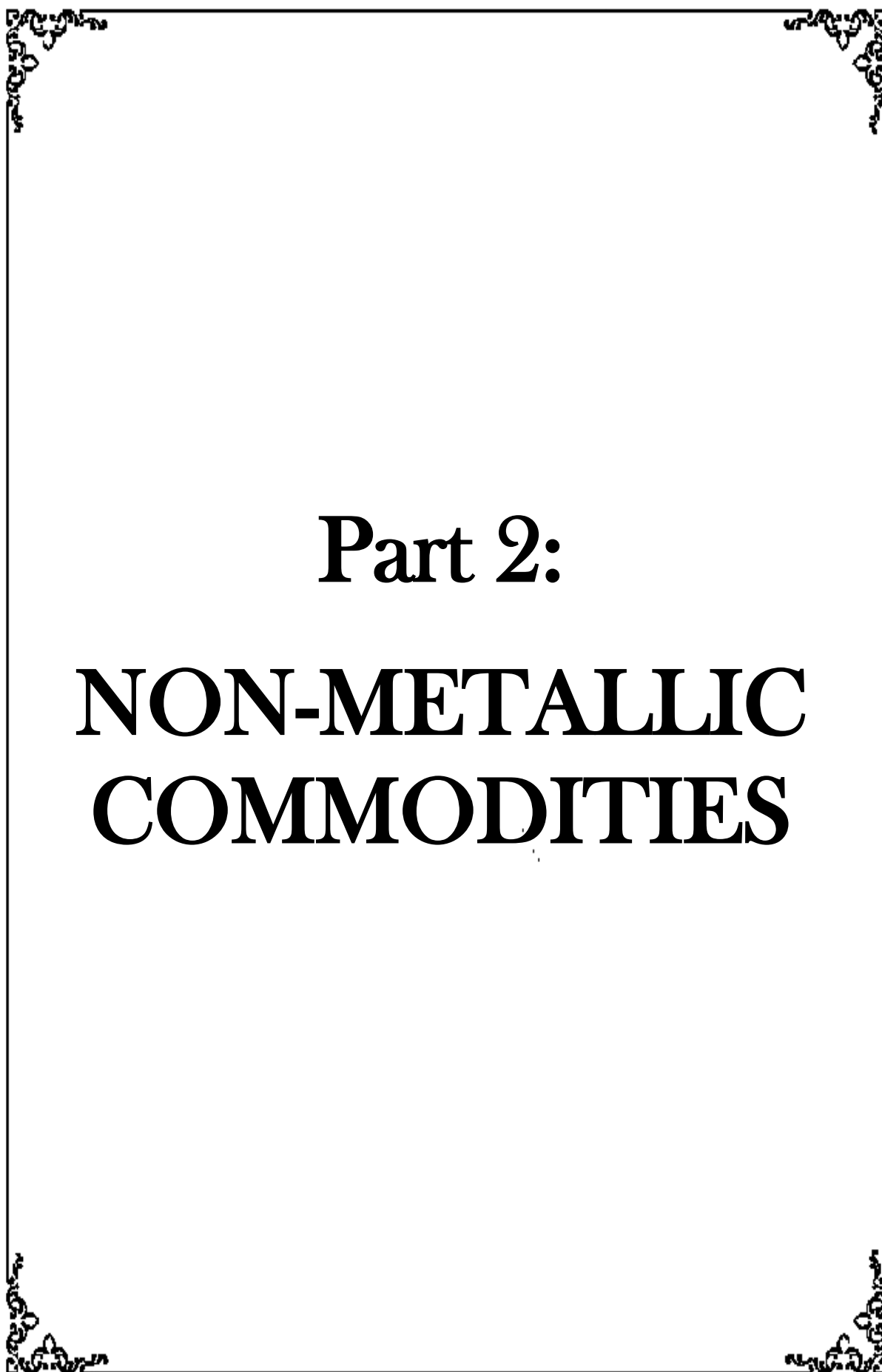
"Export of finished gold jewellery products for the first five months went down 12.9% at RM2.4bil, compared to the same period last year.

"With the SST exemption, we hope the industry players will see steady and positive growth," Lim said.

Low, who is the Federation of Goldsmiths and Jewellers Associations of Malaysia committee member, reacted positively to Lim's statement.

"No SST means lower cost for manufacturers and merchants and the demand for gold products will increase both domestically and internationally in exports.

"It will also help stimulate the sales of gold jewellery and gold bar investment in the local market," Low added.



Part 2:

**NON-METALLIC
COMMODITIES**

InterCement's European and African unit valued at US\$1.76bil in IPO

SAO PAULO: Brazil's InterCement Participacoes SA, one of Latin America's largest cement producers, plans an initial public offering of its operations in Europe and Africa early next year, two sources said this week.

Camargo Correa SA, the controlling shareholder in InterCement, expects its operations in Portugal and African countries to be valued at €1.5bil (US\$1.76bil), the people said, asking for anonymity because decisions are still private.

Camargo has been selling assets over the last three years since its engineering unit became the first Brazilian conglomerate to admit to bribing politicians and commit to pay a settlement as part of the country's largest-ever corruption probe.

Banks will probably be hired to manage the InterCement unit's IPO over the next few months, the sources said, adding that four European exchanges are under consideration for the listing: London, Frankfurt, Amsterdam and Lisbon.

Camargo had initially expected to list the unit this year, but volatility related to Brazilian presidential elections has postponed the expected date to 2019.

InterCement is now working on a new corporate structure for its operations in Portugal and countries such as Egypt, South Africa and Mozambique.

InterCement would sell up to 49% of the unit which will group the activities in these countries, the sources added.

Last year, InterCement delisted its Portugal subsidiary Cimpor Cimentos de Portugal SA, acquired six years ago, from the Lisbon Stock Exchange, since the stock had lost liquidity since the acquisition.

Camargo Correa wants proceeds from the listing in Europe to be used to reduce debt and invest in modernizing its Brazilian mills, which have been suffering with the shrinking of the local cement market.

The industry's cement sales in Brazil fell 6.5% last year and are yet

to recover this year.

Cumulatively, they are down 25% since 2015, according to industry data. Many of the 20 cement makers in the country are operating at half of their capacity, the sources said.

In a statement to Reuters, InterCement confirmed the IPO plans. "InterCement is considering an IPO of its assets in Portugal and Africa, proceeding with the deleveraging process that has been publicly announced," the company said.

Since the leniency agreement with prosecutors in 2015, Camargo has sold its controlling stake in power holding company CPFL Energia SA to China's State Grid Corp for 5.9 billion reais (US\$1.6bil) last year, and shoe maker Alpargatas SA to ItaÃ'sa Investimentos SA for 2.7 billion reais (US\$724mil) in 2015.

InterCement has already raised US\$954mil with the successful listing of its Argentinian unit Loma Negra Cia Industrial Argentina SA in November, in a dual listing in Buenos Aires and New York. — Reuters

Pandora slashes forecast with misery deepening

COPENHAGEN: Pandora A/S cut its sales and profit targets, adding to the woes for the world's biggest jewellery maker which is under siege from hedge funds betting against its stock.

The Copenhagen-based company now expects 2018 revenue to increase 4%-7% in local currencies, down from a previous forecast of 7%-10%, it said in a statement late on Monday.

Its margin on earnings before interest, tax, depreciation and amortisation will be about 32%, down from an earlier prediction of around 35%.

Pandora didn't give a reason for the poorer outlook, saying it will provide details in its second-quarter earnings report due to be released later this week.

After a rapid global expansion, the company has been struggling with slowing growth in key markets the United States and China and has lost more than half of its market value since the beginning of 2017.

At the start of this year, chief executive officer Anders Colding Friis tried to reset market expectations with new long-term financial goals and a forecast for a slowdown in 2018.

The goals he said were more "realistic" because the company had matured and couldn't count on the same fast growth as in past years.

The company also dismissed chief financial officer Peter Vekslund after the 2017 performance fell below its guidance.

Monday's profit warning will "put the continuity of the management team and the board in question" because it comes so soon



Poorer outlook: A store assistant handles a charm bracelet at a Pandora AS store. The Copenhagen-based company now expects 2018 revenue to increase 4%-7% in local currencies, down from a previous forecast of 7%-10%. — Bloomberg

after the company presented the new targets, Zuzanna Pusz, an analyst at Berenberg, said in a note.

The new guidance is about 8% below market expectations but "given the uncertainty this creates around the mid-term financial targets announced earlier this year we could see an even more negative share price reaction" when the Copenhagen market opens, the analyst said.

Pusz and other analysts had recently said Pandora was at risk of falling short of its 2018 guidance after retail reports suggested the company's new Shine collection didn't hit home with consumers.

Hedge funds have continued to bet against the stock with about 8% of the share capital shorted, according to data provided by IHS Markit. That's down from a November peak of about 13%. — Bloomberg

Pandora CEO steps down after jewellery maker warned on profit

COPENHAGEN: Pandora A/S' chief executive officer Anders Colding Friis will step down after the world's biggest jewellery maker earlier this week lost almost a quarter of its market value following a profit warning.

Colding Friis, 54, will leave as of Aug 31. The Copenhagen-based company has started a search for a replacement, while it also hired former Body Shop CEO Jeremy Schwartz as chief operating officer. The shares rose more than 10% in early trading yesterday.

Struggling to keep up growth after a rapid global expansion, Pandora on Aug 6 lowered its outlook for 2018 profit and sales, sending the shares down 24% and sparking speculation whether Colding Friis would be able to keep his job.

The company said yesterday it was beset by a range of problems, including weaker-than-expected sales of new charm bracelets and rising costs.

Colding Friis had at the start of the year sought to reset the company's targets, seeking more "realistic" goals as its expansion slows.

While he now acknowledges that he had been "a bit too optimistic," Colding Friis said that he still believed in the strategy he had laid out for Pandora.

"I don't have a lot of regrets when it comes to the things we've done together at Pandora," he said in a Bloomberg TV interview.

The CEO's departure would probably "be taken positively by the market as many eagerly awaited a reshuffle in Pandora's management team," Zuzanna Pusz, an analyst at Berenberg, said in a note.

The company late Monday said that it expected sales to grow 4% to 7% in local currencies this year, down from a forecast of 7% to 10%.

It warned its profit margin on earnings before interest, tax, depreciation and amortisation would be lower than anticipated at about 32%, down from a prediction of 35%.

Pandora has in recent years battled retail weakness in the US and this year problems also arose in China where a grey market eroded sales and profits.

At the same time, hedge funds have built short positions against its stock, cashing in on the decline.

The shares have lost an annualised 15% since Colding Friis started in March 2015, according to data compiled by *Bloomberg*. That compares with a 3.1% decline in a peer group of companies.

Pandora's time as a listed company has been a roller-coaster ride. In the period 2011 through 2016, the shares jumped almost 20-fold as the company repositioned itself in the so-called affordable luxury segment. — *Bloomberg*



Lower sales: People walk in front of a Pandora shop in Rome. The company expects sales to grow 4% to 7% in local currencies this year, down from a forecast of 7% to 10%. — Reuters

BLUE diamonds are among the rarest and most valuable gems on Earth, but up until now, scientists knew very little about them. The most famous blue diamond is the Hope diamond, which was discovered in the mid-1600s in India. It is now part of the gem and mineral collection at the National Museum of Natural History in Washington.

Other blue-tinted diamonds have been found in southern and central Africa, South America and Borneo.

But there are very few of them around. Of all the diamonds that have made it to the surface of the Earth, less than .02% are blue diamonds.

Known in the scientific community as type IIb diamonds, blue diamonds get their telltale colour from small amounts of boron that were locked into their crystalline structures when the diamond first formed.

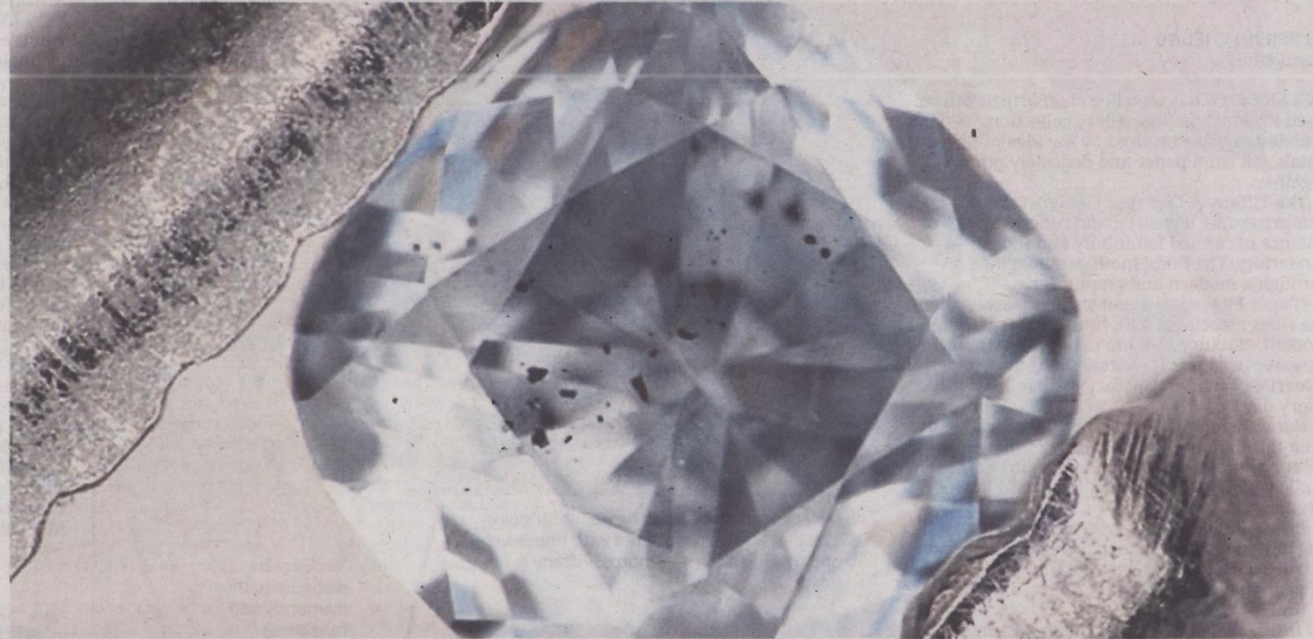
"The diamond crystal is made up of all these carbon atoms linked together, but if you take one carbon out of every one million and replace it with boron, that's still enough to make the diamond blue," said Evan Smith, a geologist and research fellow at the Gemological Institute of America in New York.

It is well known that blue diamonds contain boron, but this fact has long been puzzling to geologists. Although boron is abundant in the Earth's crust, it is scarce in the planet's mantle where diamonds are formed.

"Having a diamond that is distinguished by its boron content immediately raises questions about where the boron comes from and how it got there," Smith said.

Blue diamonds and the secrets they hold

More than just a rare and precious gemstone, the precious blue diamond may hold clues about the history of water on earth.



A blue, boron-bearing diamond with dark inclusions of a mineral called ferropericlae, which were examined as part of this study. This gem weighs 0.03 carats.
— TNS

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In a paper published recently in *Nature*, he describes this conundrum as a “geochemical enigma”.

Studying blue diamonds is challenging in part because they are so rare, and also because they are very expensive. It’s hard for researchers to get their hands on them.

However, as a scientist working at the Gemological Institute of America, Smith was able to examine 46 type IIb diamonds that were among the thousands of diamonds that come through the GIA’s offices each day to be graded according to what is known as the four Cs – cut, clarity, carat weight and colour.

All rocks have a story to tell, but diamonds can be tight-lipped.

Diamonds themselves don’t reveal much information about the conditions in which they were

born, but they often capture tiny bits of their surrounding environment during their formation.

These are known as inclusions, and although they are very tiny, they are much more forthcoming.

To determine the chemical makeup of a diamond inclusion, scientists usually shine a laser at it.

The way the light gets scattered back tells them what molecules are in the inclusion, and the diamond remains unharmed.

Smith asked his colleagues to let him know when a blue diamond came across their desks and if it had inclusions. If it did, he’d ask to borrow it for a while.

Then he’d hit its inclusions with a laser. Within a few hours, he returned the diamond to the stream of gems being graded.

Gradually, over the course of two years, the inclusions in the blue diamonds that passed through Smith’s laser began to tell a cohesive narrative.

Their chemical makeup suggested that they formed at least 660km beneath the Earth’s surface, making them among the deepest-known diamonds in the world. (The vast majority of diamonds come from depths of 145km to 193km beneath the Earth’s surface.)

In addition, he found that the mineral environment in which the diamonds were born is most similar to what you would expect to find in rocks from the ocean floor that have been subjected to an immense amount of pressure.

So, what’s going on here?

Smith thinks the most likely

answer is that blue diamonds form in or around oceanic plates that have sunk deep into the Earth’s mantle.

This isn’t as crazy as it sounds. When two tectonic plates converge, oceanic plates are known to sink back into the mantle in a process called subduction.

“It’s been happening for millions of years and we’ve known it’s been happening,” Smith said.

What scientists didn’t know is what materials from the Earth’s surface these oceanic rocks were carrying down into the mantle.

The presence of boron in the blue diamonds suggests that at least that element was able to hitch a ride with the subducted oceanic plates into the deep mantle, Smith said. And if boron hitched a ride, it’s possible that

water molecules that have reacted with the oceanic rock are being carried into the deep mantle in a similar way.

“The most likely explanation is that boron and water travelled hand in hand on this conveyor-belt-like system, but that’s still an assumption,” he said.

He added that more analysis of the chemical makeup of inclusions in blue diamonds may shed more light on the presence of water in the deep mantle.

“We think of these diamonds as gemstones, but they have this equally fascinating life as a scientific mineral,” he said. “There isn’t any other mineral that comes from so deep in the Earth that can bring up these small samples trapped inside and so well preserved.” – TNS

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by;



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