

Masteel to raise up to RM81.5 million from proposed rights issue and warrants

- *Proceeds from proposed 1-for-2 rights issue with free detachable 5-year warrants to be utilised for working capital, repayment of bank borrowings and to defray expenses for corporate exercise*

Petaling Jaya, Malaysia, 7 December 2020 - Integrated steel manufacturer **Malaysia Steel Works (KL) Bhd (Masteel1, 马来西亚钢厂 (吉隆坡) 有限公司, Bloomberg: MSW MK; Reuters: MSWK.KL)** announced today that it plans to raise up to RM81.5 million from a proposed rights issue with free detachable 5-year warrants, based on an issue price of RM0.36 per rights share.

The proposed rights issue to be undertaken would be on the basis of one rights share for every two existing Masteel shares held, on an entitlement date to be determined at a later date. Subsequently, one free detachable warrant would be issued for each rights share subscribed by shareholders.

Of the projected maximum proceeds of RM81.5 million to be raised, up to RM69.0 million would be utilised for working capital requirements, RM10.0 million for the repayment of bank borrowings, and the balance RM2.5 million to defray the estimated expenses associated with the aforementioned corporate exercise.

“We are witnessing an upcycle in steel demand within both the local and regional markets, as governments prioritize high-multiplier infrastructure developments and construction projects to stimulate economic growth. This is clearly advantageous for established steel manufacturers like us who have both capacity and competitiveness to reap the benefits of this recovery.

To this end, our recent capital expenditure investments in employing the latest steel melting technology will optimize our cost-efficiency.

As the proposed rights issue proceeds are mainly used for working capital, it will further enhance our financial footing that will allow us to focus on enhancing our capabilities to capture new opportunities. Thus, the rights issue is a strong testament of confidence and commitment of the promoters and shareholders in realising the company's growth trajectory going forward.”

**Dato' Sri Tai Hean Leng (“拿督斯里戴贤龙”),
Managing Director and CEO of Malaysia Steel Works (KL) Bhd**



Masteel

MALAYSIA STEEL WORKS (KL) BHD (7878-V)

In January 2020, the Ministry of International Trade and Industry (MITI) enforced the anti-dumping duty on steel products from Singapore and Turkey, which gradually alleviated the issue of steel products oversupply in the Malaysian market.

In line with these positive developments, Masteel expects to commission a third manufacturing plant in the first quarter of 2021, that would increase its productivity and expand the versatility of the Group's product range to eventually include alloy and stainless steel.

The Malaysian construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects. This was further reinforced by Budget 2021's commitment towards the implementation of infrastructure megaprojects including Mass Rapid Transit Line 2, Light Rail Transit Line 3, West Coast Expressway and Bayan Lepas Light Rail Transit as well as Pan Borneo and Coastal Highways in Sarawak.

Additionally, the Malaysian government announced several stimulus packages totalling RM305.0 billion to support both households and businesses affected by COVID-19. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Malaysia's GDP is expected to rebound between 6.5% and 7.5% in 2021.

Dato' Sri Tai concluded: "The issuance of rights shares along with the free warrants would increase the number of Masteel shares in circulation, as well as enhance the liquidity and marketability of our shares. This corporate exercise provides shareholders with the option to increase their participation within the company and benefit from our future growth."

Assuming all treasury shares are sold as at the date of the announcement, the proposed rights issue with warrants will entail the issuance of up to 226.4 million rights shares together with up to 226.4 million warrants.

Assuming the full exercise of the warrants and that all treasury shares are resold, the rights issue with warrants would expand Masteel's share capital from RM239.9 million comprising 450.4 million shares to RM402.9 million comprising 905.5 million shares.

The warrants will have a tenure of 5 years commencing from the issue date of the warrants. At an assumed exercise price of RM0.36 each, the exercise of the warrants would raise up to RM81.5 million for the Group's working capital.

The proposed exercise, which is expected to be completed in the second quarter of the calendar year 2021, is not expected to have any material effect on the earnings of the Group for the financial year ending 31 December 2020. However, the earnings per share of the Group may be diluted upon the issuance of the rights shares and subsequent new shares arising from the exercise of the warrants.



Masteel

MALAYSIA STEEL WORKS (KL) BHD (7878-V)

This corporate exercise is subject to approvals from Bursa Malaysia Securities Berhad for the listing and quotation of the rights shares, warrants and subsequent new shares pursuant to the exercise of the warrants. Additionally, approvals would have to be obtained from Masteel's shareholders at an Extraordinary General Meeting to be convened at a later date.

M&A Securities Sdn Bhd is the appointed Principal Adviser for the Group's proposed rights issue with free warrants.

About Masteel

Malaysia Steel Works (KL) Bhd, listed on the Main Market of Bursa Malaysia Securities Berhad, is one of the top five integrated steel companies in Malaysia. It is involved in the manufacturing of high-tensile deformed steel bars, mild steel round bars and steel billets.

It has 68 domestic dealers and exports its steel products to Australia, New Zealand, Papua New Guinea, Indonesia, Singapore, Vietnam, Philippines and China.

Issued for and on behalf of MALAYSIA STEEL WORKS (KL) BHD by Aquilas Advisory (Malaysia) Sdn Bhd. For media enquiries, please contact:

Ms. Julia Pong julia@aquilas.com.my T: +603-2711 1391 / +6012-3909 258

