

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Bursa Securities has not perused the contents of this Circular in relation to the Proposed Amendments (as defined herein) as it is an exempt document pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

You should rely on your own evaluation to assess the merits and risks of the Proposed Rights Issue with Warrants (as defined herein).

Masteel

MALAYSIA STEEL WORKS (KL) BHD

(Registration No. 197101000213 (7878-V))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PART A

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 226,369,915 NEW ORDINARY SHARES IN MALAYSIA STEEL WORKS (KL) BHD ("MASTEEL" OR "COMPANY") ("RIGHTS SHARES") TOGETHER WITH UP TO 226,369,915 FREE DETACHABLE WARRANTS ("WARRANT(S)") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING ORDINARY SHARES HELD IN MASTEEL TOGETHER WITH 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED AT AN ISSUE PRICE AND ENTITLEMENT DATE TO BE DETERMINED LATER ON A FULL SUBSCRIPTION BASIS ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

PART B

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("PROPOSED AMENDMENTS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



M&A SECURITIES SDN BHD

Registration No. 197301001503 (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolutions in respect of the above proposals will be tabled at the Extraordinary General Meeting ("EGM") of the Company which will be held on Tuesday, 23 March 2021 at 3.00 p.m. as a fully virtual meeting via live streaming broadcast from Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan. The Notice of the EGM together with the Form of Proxy are enclosed in this Circular.

You are encouraged to attend, participate, speak (in the form of real time submission of typed texts) and vote remotely at the forthcoming EGM using the remote participation and electronic voting facilities. If you are unable to participate in the online EGM, you may appoint a proxy or proxies to participate and vote on your behalf. The Form of Proxy may be submitted by hand or by post to the Company's Share Registrar Office at Level 7, Menara Milenium Jalan Damansara, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof, otherwise the Form of Proxy shall be treated as invalid. Alternatively, the Form of Proxy may also be electronically submitted via <https://sshb.net.my/login.aspx>. Please refer to Administrative Guide for further information on electronic submission. The lodging of the Form of Proxy shall not preclude you from participating in the online EGM should you subsequently wish to do so.

Please follow the procedures provided in the Administrative Guide for our EGM which is available on the Company's website at www.masteel.com.my

Last date and time for lodging the Form of Proxy : Sunday, 21 March 2021, at 3.00 p.m.

Date and time of EGM : Tuesday, 23 March 2021, at 3.00 p.m. or at any adjournment thereof

DEFINITIONS

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

"Act"	: Companies Act 2016
"Board"	: Board of Directors of Masteel
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"CAGR"	: Compound Annual Growth Rate
"Circular"	: This circular to shareholders dated 8 February 2021
"Code"	: The Malaysian Code on Take-Overs and Mergers, 2016
"Constitution"	: Constitution of the Company
"COVID-19"	: Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
"Deed Poll"	: The deed poll constituting the Warrants and governing the rights of Warrant holders to be executed by the Company
"ECRL"	: East Coast Rail Link
"EGM"	: Extraordinary general meeting
"Entitled Shareholders"	: Shareholders of Masteel whose names appear in the Record of Depositors of Masteel on the Entitlement Date
"Entitlement Date"	: A date, to be determined by the Board and announced later, in which the names of shareholders of Masteel must appear in the Record of Depositors of Masteel as at the close of business on that date in order to be entitled to participate in the Proposed Rights Issue with Warrants
"EPS"	: Earnings per share
"FYE"	: Financial year ended/ending 31 December, where relevant
"GDP"	: Gross domestic product
"Government"	: The government of Malaysia
"HOC"	: Home Ownership Campaign
"IMR" or "Smith Zander"	: Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V))
"IMR Report"	: Independent market research report titled "Independent Market Research Report on the Steel Industry in Malaysia" prepared by the IMR
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities, as may be amended from time to time
"LPD"	: 15 January 2021, being the latest practicable date prior to the date of this Circular
"LPS"	: Loss per share
"MCO"	: Movement control order (including all versions and phases) issued by the Government of Malaysia under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
"Market Day"	: A day on which the stock market of Bursa Securities is open for trading of securities

DEFINITIONS (cont'd)

"Masteel" or "Company"	: Malaysia Steel Works (KL) Bhd (Registration No. 197101000213 (7878-V))
"Masteel Group" or "Group"	: Masteel and its subsidiaries, collectively
"Masteel Share(s)" or "Share(s)"	: Ordinary share(s) in Masteel
"Maximum Scenario"	: Assuming all treasury shares are sold prior to the Entitlement Date, such that 226,369,915 Rights Shares and 226,369,915 Warrants are issued pursuant to the Proposed Rights Issue with Warrants
"MITI"	: Ministry of International Trade and Industry
"MT"	: Metric tonnes
"Minimum Scenario"	: Assuming no treasury shares are sold prior to the Entitlement Date, such that 225,189,615 Rights Shares and 225,189,615 Warrants are issued pursuant to the Proposed Rights Issue with Warrants
"M&A Securities"	: M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
"NA"	: Net assets
"Private Placement"	: Private placement pursuant to Section 75 and 76 of the Act of up to 42,500,000 new Masteel Shares, representing up to approximately 10% of the Company's total number of issued shares
"Proposed Amendments"	: Proposed amendments to the Constitution
"Proposed Rights Issue with Warrants"	: Proposed renounceable rights issue of up to 226,369,915 Rights Shares together with up to 226,369,915 free Warrants on the basis of 1 Rights Share for every 2 Masteel Shares held together with 1 Warrant for every 1 Rights Share subscribed at Entitlement Date on a full subscription basis
"Rights Share(s)"	: Up to 226,369,915 new Masteel Share(s) to be issued pursuant to the Proposed Rights Issue with Warrants
"Record of Depositors"	: A record of securities holders established and maintained by Bursa Depository under the rules of Bursa Depository
"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"Rules"	: The Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC
"SEAISI"	: South East Asia Iron and Steel Institute
"SC"	: Securities Commission Malaysia
"TYY" or the "Undertaking Shareholder"	: TYY Resources Sdn Bhd (Registration No. 196501000688 (6479-X)), our major shareholder
"Undertaking"	: Irrevocable written undertaking by TYY to subscribe for its entitlement of 69,746,308 Rights Shares
"Warrant(s)"	: Up to 226,369,915 free detachable warrant(s) to be issued pursuant to the Proposed Rights Issue with Warrants
"YOY"	: Year-on-year
"5D-VWAMP"	: 5-day volume weighted average market price

DEFINITIONS (cont'd)

For the purpose of this Circular, all references to a time of day shall be a reference to Malaysian time unless otherwise stated. In this Circular, words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and vice versa. References to persons shall, where applicable, include corporations.

Certain figures included in this Circular have been subject to rounding adjustments. References to “we”, “us”, “our” and “ourselves” are to our Company save where the context otherwise requires, our subsidiaries and to “you” or “your” are to the shareholders of the Company.

Any reference in this Circular to the provisions of any statute, rules, regulation or rules of stock exchange shall (where the context admits) be construed as a reference to the provisions of such statute, rules, regulation or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statute, rules, regulation or rules of stock exchange for the time being in force.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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NOTICE OF EGM **ENCLOSED**

FORM OF PROXY **ENCLOSED**

PART A

PROPOSED RIGHTS ISSUE WITH WARRANTS

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS. THE SHAREHOLDERS OF MASTEEL ARE ADVISED TO READ THE CIRCULAR AND ITS APPENDICES FOR FURTHER DETAILS AND NOT TO SOLELY RELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSED RIGHTS ISSUE WITH WARRANTS BEFORE VOTING AT THE EGM

The Board is recommending the shareholders of Masteel to vote **IN FAVOUR** of the resolution in relation to the Proposed Rights Issue with Warrants to be tabled at the forthcoming EGM to be convened.

Key information	Description	Reference to Circular
Summary	: <u>Proposed Rights Issue with Warrants</u>	Section 2
	Basis of the Proposed Rights Issue with Warrants : 1 Rights Share for every 2 Masteel Shares held, together with 1 Warrant for every 1 Rights Share subscribed	
	Number of issued Shares as at LPD : 452,739,831 issued Shares of which 2,360,600 are held as treasury shares	
	Amount to be raised under the Proposed Rights Issue with Warrants : (i) RM81,068,261 under the Minimum Scenario; and (ii) Up to RM81,493,169 under the Maximum Scenario	
	Indicative issue price : RM0.36 per Rights Share	
	The salient terms of the Warrants are set out in Section 2.5 of this Circular.	
Rationale	: Proposed Rights Issue of RPS with Warrants	Section 3
	The Board expects the Proposed Rights Issue with Warrants to contribute positively to the Group as set out below:	
	(i) Raise proceeds to be used in the manner set out in Section 2.7 of this Circular;	
	(ii) Secure funding without incurring interest costs compared to bank borrowings;	
	(iii) Minimise the immediate dilution effect on the EPS of the Company;	
	(iv) Enhance the liquidity and marketability of Masteel Shares on the Main Market of Bursa Securities;	
	(v) The Warrants attached to the Rights Share are intended to provide an added incentive to the Entitled Shareholders to subscribe for the Rights Share;	

EXECUTIVE SUMMARY (cont'd)

Key information	Description	Reference to Circular
	(vi) Strengthen the Company's financial position with enhanced shareholders' funds; and	
	(vii) The exercise of the Warrants in the future will allow the Company to raise additional funds without incurring additional interest expenses from borrowings.	

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Masteel

MALAYSIA STEEL WORKS (KL) BHD

(Registration No. 197101000213 (7878-V))
(Incorporated in Malaysia)

Registered Office:

Unit B-05-3A, 5th Floor
Block B (West Wing)
PJ8 Office Suite
No. 23, Jalan Barat
Seksyen 8
46050 Petaling Jaya
Selangor Darul Ehsan

8 February 2021

Directors:

Dato' Ikhwan Salim Bin Dato' Haji Sujak (*Chairman – Independent Non-Executive*)
Dato' Sri Tai Hean Leng @ Tek Hean Leng (*Managing Director/Chief Executive Officer*)
Lau Yoke Leong (*Executive Director/Chief Financial Officer*)
Ong Teng Chun (*Executive Director*)
Ng Wah Lok (*Senior Independent Non-Executive Director*)
Roy Thean Chong Yew (*Independent Non-Executive Director*)
Muhammad Hanizam Bin HJ. Borhan (*Independent Non-Executive Director*)
Ng Siew Peng (*Executive Director*)

To: The shareholders of Malaysia Steel Works (KL) Bhd

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE WITH WARRANTS

1. INTRODUCTION

On 7 December 2020, M&A Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Rights Issue with Warrants.

On 18 January 2021, M&A Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 15 January 2021 approved-in-principle the following:

- (i) admission to the Official List and listing of up to 226,369,915 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) listing of up to 226,369,915 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants; and
- (iii) listing of up to 226,369,915 new Masteel Shares to be issued pursuant to the exercise of the Warrants.

Bursa Securities' approval-in-principle is subject to the following conditions:

Conditions	Status of Compliance
(i) Masteel and M&A Securities must fully comply with the relevant provisions under the Listing Requirements at all times pertaining to the implementation of the Proposed Rights Issue with Warrants;	To be complied
(ii) Masteel and M&A Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;	To be complied
(iii) Masteel to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed;	To be complied
(iv) Masteel to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at EGM for the Proposed Rights Issue with Warrants; and	To be complied
(v) Masteel to furnish Bursa Securities on a quarterly basis, a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS ON THE PROPOSED RIGHTS ISSUE WITH WARRANTS, TO SET OUT THE BOARD'S OPINION AND RECOMMENDATION ON THE PROPOSED RIGHTS ISSUE WITH WARRANTS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS TO BE TABLED AT THE FORTHCOMING EGM.

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2. DETAILS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

As at LPD, Masteel has an issued share capital of RM239,942,514.50 comprising 452,739,831 Masteel Shares of which 2,360,600 are held as treasury shares.

The Proposed Rights Issue with Warrants entails the issuance of up to 226,369,915 Rights Shares together with up to 226,369,915 Warrants at an indicative issue price of RM0.36 per Rights Share on the basis of 1 Rights Share for every 2 existing Masteel Shares held on the Entitlement Date together with 1 Warrant for every 1 Rights Share subscribed. The Rights Shares will be offered to the Entitled Shareholders. The Entitlement Date will be determined by the Board after obtaining the approvals for the Proposed Rights Issue with Warrants from all relevant authorities and the shareholders of the Company.

The maximum number of Rights Shares and Warrants to be issued under the Proposed Rights Issue with Warrants is derived based on the number of issued share capital of Masteel, assuming all treasury shares are sold prior to the Entitlement Date. Based on the Maximum Scenario, 226,369,915 Rights Shares will be made available for subscription and 226,369,915 Warrants will be issued pursuant to the Proposed Rights Issue with Warrants. Based on the Minimum Scenario, 225,189,615 Rights Shares and 225,189,615 Warrants will be issued pursuant to the Proposed Rights Issue with Warrants. The actual number of Rights Shares and Warrants offered under the Proposed Rights Issue with Warrants will be determined on the Entitlement Date.

The indicative salient terms of the Warrants are set out in Section 2.5 below.

2.1 Entitlements to the Rights Shares

The Rights Shares will be provisionally allotted to the Entitled Shareholders. Fractional entitlements pursuant to the Proposed Rights Issue with Warrants if any, will be dealt with in such manner as the Board in its absolute discretion deems fit and in the best interest of the Company.

For the avoidance of doubt, the Warrants are attached to the Rights Shares without any cost to the Entitled Shareholders and renouncee(s). The Proposed Rights Issue with Warrants is renounceable in full or in part. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded. Accordingly, Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares. If the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall be entitled to the number of Warrants in proportion to the Rights Shares they have accepted.

The Rights Shares which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s). It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

2.2 Basis of determining the issue price of the Rights Shares and exercise price of the Warrants

(a) Rights Shares

The issue price of the Rights Shares under the Proposed Rights Issue with Warrants will be determined by our Board at a later date after taking into consideration, amongst others, the following:

- (i) the historical share price of Masteel; and

- (ii) the 5D-VWAMP of Masteel Shares up to the price-fixing date.

In any event, the discount of the issue price of the Rights Shares shall not be more than 25% from the 5D-VWAMP of Masteel Shares up to the price-fixing date. This discount range was determined by our Board after taking into consideration a suitable issue price deemed attractive to encourage subscription of the Rights Shares by the Entitled Shareholders and/or renouncee(s). For illustrative purposes, an indicative issue price of RM0.36 per Rights Shares would represent a discount of approximately:

- (i) 16.7% to the theoretical ex-rights price of Masteel of approximately RM0.4322; and
- (ii) 13.1% to the theoretical ex-all price of Masteel Shares of approximately RM0.4142 per Share.

The above theoretical ex-all price are calculated based on the 5D-VWAMP of Masteel Shares up to 4 December 2020 of RM0.4683 (being the market day preceding the date of the announcement of the Proposed Rights Issue with Warrants) and similarly assuming an exercise price of RM0.36 per Warrant. The indicative issue price of RM0.36 per Rights Share also represents a discount of approximately 23.1% to the 5D-VWAMP of Masteel Shares up to 4 December 2020 of RM0.4683.

(b) Warrants

The exercise price of the Warrants under the Proposed Rights Issue with Warrants will be determined by our Board at a later date, after taking into consideration, amongst others, the following:

- (i) the 5D-VWAMP of Masteel Shares up to the price-fixing date; and
- (ii) the theoretical ex-all price of Masteel Shares.

The Warrants are attached to the Rights Shares without any cost and will be issued in proportion to the Rights Shares subscribed by the Entitled Shareholders. In any event, the discount of the exercise price of the Warrants shall not be more than 50% from the theoretical ex-all price of Masteel Shares. This discount range was determined by our Board after taking into consideration a sweetener price to stimulate more demand for subscription of Rights Shares, as well as the future prospects of our Group, further details of which are set out in Section 5.3 of this Circular and potential funding requirements.

An announcement will be made on the basis and justification for determining the issue price of the Rights Shares and Warrants once the above said issue price and exercise price have been fixed by our Board.

2.3 Listing of and quotation for the securities

Approval-in-principle has been obtained from Bursa Securities, vide its letter dated 15 January 2021, for the listing of and quotation for the following securities on the Main Market of Bursa Securities:

- (i) up to 226,369,915 new Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) up to 226,369,915 free Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and
- (iii) up to 226,369,915 new Masteel Shares to be issued pursuant to the exercise of Warrants.

2.4 Ranking of the Rights Shares

The Rights Shares shall upon allotment and issuance, rank equally in all respects with the then existing Masteel Shares in issue, save and except that the Rights Shares shall not be entitled to any dividend, rights, allotments and or other distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares.

2.5 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are set out below:

Terms	Details
Number of Warrants	: Up to 226,369,915 new Warrants arising from the Proposed Rights Issue with Warrants, each carrying the right to subscribe for one new Share during the Exercise Period at the Exercise Price, subject to the terms and conditions of the Deed Poll.
Detachability	: The Warrants are immediately detachable upon allotment and issue of the Rights Shares. The Warrants will be traded separately.
Exercise Price	: The basis of determining the exercise price of the Warrants is set out in Section 2.2(b) above. The exercise price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Exercise Period	: The period commencing on and including the date of issuance of the Warrants and ending at the close of business at 5.00 p.m. in Kuala Lumpur, on the date preceding the 5 th anniversary of the date of issuance, or if such is not Market Day, then it shall be the Market Day immediately preceding the said non-Market Day.
Exercise Rights	: The rights conferred on a Warrant holder to subscribe for 1 new Masteel Share for each Warrant at any time during the Exercise Period and at the Exercise Price subject to the Deed Poll.
Deed Poll	: The Warrants will be constituted by a Deed Poll to be executed by Masteel.
Board Lot	: The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Masteel Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
Ranking of Warrants	: The Warrants shall as between the Warrant holders rank equally and rateably in all aspects amongst themselves.

Terms	Details
Ranking of new Masteel Shares to be issued pursuant to exercise of Warrants	: The new Masteel Shares to be issued arising from the exercise of Exercise Rights represented by the Warrants, shall upon allotment and issue rank <i>pari passu</i> in all respects with the existing Masteel Shares, save and except that the new Masteel Shares will not be entitled to any dividend, right, allotment and/or any other forms of distribution where the entitlement date of such dividend, right, allotment and/or other forms of distribution precedes the relevant date of allotment and issuance of the new ordinary shares.
Adjustments in the exercise price and/or number of new Warrants	: The exercise price and/ or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll. If the Company in any way modify the rights attached to any share or loan capital which is not described in the Deed Poll so as to convert or make convertible such share or loan capital into, or attached thereto any rights to acquire or subscribe for new shares, the Company must appoint the adviser or the auditors (who shall act as experts) to consider whether any adjustment is appropriate, and if the directors of the Company after such consultation determines that any adjustment is appropriate, the exercise price or the number of Warrants or both, will be adjusted accordingly.
Modification	: The Company may, from time to time, subject to the terms and conditions of the Deed Poll, without the consent or sanction of the warrant holders, modify, amend or add to the Deed Poll, if such modification, amendment or addition made does not materially prejudice the interests of the Warrant holders or is made to correct a manifest error or to comply with the prevailing laws of Malaysia.
Participating rights of the holders of new Warrants in any distribution and/or offer of further securities	: The new Warrant holders are not entitled to any voting right or participation in any forms of distribution and/or offer of further securities in the Company until and unless such new Warrant holders exercise the new Warrants for the new Shares in accordance with the provisions of the Deed Poll and such new Shares have been allotted and issued to the new Warrant holders. Each new Warrant holder shall be deemed to remain the registered holder of the new Warrants credited in his/her securities account until the name of the transferee is entered in the Record of Depositors.
Listing	: The Warrants and new Masteel Shares to be issued from the exercise of the Warrants will be listed on the Main Market of Bursa Securities. Approval has been obtained from Bursa Securities for the admission of Warrants to the Official List of Bursa Securities and for the listing of and quotation for the Warrants and new Masteel Shares to be issued from the exercise of the Warrants on the Main Market of Bursa Securities.

Terms

Rights in the event of winding-up, liquidation, compromise and/or arrangement

Details

: Where a resolution has been passed for a member's voluntary winding up of the Company, or where there is a compromise or arrangement whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies, then for the purposes of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation), every holder of the new Warrants shall be entitled upon and subject to the provisions of the Deed Poll at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within 6 weeks after the granting of the court order approving the compromise or arrangement (whichever is later), by irrevocable surrender of his/her new Warrants to the Company, elect to be treated as if he/she had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by his/her new Warrants to the extent specified in the relevant subscription forms and be entitled to receive out of the assets of the Company which would be available in liquidation as if he/she had on such date been the holder of the new Masteel Shares to which he/she would have been entitled to pursuant to such exercise.

All Exercise Rights which has not been exercised within the above 6 weeks of either the passing of such resolution for the members' voluntary winding up or the granting of the court order for the approval of such winding-up, compromise or arrangement, as the case may be, will lapse and all the unexercised new Warrants will cease to be valid for any purpose.

Governing Law : Laws of Malaysia.

2.6 Shareholder's undertaking and underwriting arrangement

The Company has procured irrevocable written undertaking from TYY to subscribe for at least 69,746,308 Rights Shares pursuant to its entitlement application as follow:

	Shareholding as at LPD		Undertaking to subscribe for its entitlements		
	No. of Shares	% [^]	No. of Rights Shares	No. of Warrants	% [*]
TYY	139,492,616	30.97	69,746,308	69,746,308	30.81

Notes:

[^] % shareholdings calculated based on 450,379,231 issued Shares.

^{*} Computed based on Maximum Scenario of 226,369,915 Rights Shares and 226,369,915 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants.

Additionally, underwriting arrangement will be made for the remainder of unsubscribed Rights Shares under the Proposed Rights Issue with Warrants.

The Undertaking Shareholder has confirmed that the Undertaking will not give rise to any mandatory take-over offer obligation pursuant to the Code and the Rules immediately after the completion of the Proposed Rights Issue with Warrants.

The Undertaking Shareholder has also confirmed that it will at all times observe and ensure compliance with the provisions of the Code and the Rules and will seek from the SC the necessary exemptions from undertaking such mandatory take-over offer, if required.

The Undertaking Shareholder has confirmed via the Undertaking that it has sufficient financial resources to fulfil their respective Undertaking. The said confirmation has been verified by M&A Securities, being the Principal Adviser for the Proposed Rights Issue with Warrants.

There is no other pertinent condition in the Undertaking.

2.7 Utilisation of proceeds

Based on an indicative issue price of RM0.36 per Rights Share, the Proposed Rights Issue with Warrants will raise gross proceeds of between RM81.1 million (under the Minimum Scenario) and RM81.5 million (under the Maximum Scenario). The actual proceeds to be raised from the Proposed Rights Issue with Warrants will be dependent on the issue price of the Rights Shares and the number of treasury shares held / resold by the Company as well as the exercise price of the Warrants and whether such Warrants will be exercised.

The details of the intended utilisation of gross proceeds under the Minimum Scenario and Maximum Scenario are as follows:

Details of utilisation	Utilisation timeframe (from listing of Rights Shares)	Notes	Minimum Scenario RM'000	Maximum Scenario RM'000
Repayment of bank borrowings	Within 12 months	2.7.1	10,000	10,000
Working capital	Within 12 months	2.7.2	68,568	68,993
Estimated expenses for the Proposed Rights Issue with Warrants	Within 1 month	2.7.3	2,500	2,500
Total			81,068	81,493

2.7.1 Repayment of bank borrowings

The Company intends to utilise approximately RM10.0 million of the total proceeds from the Proposed Rights Issue with Warrants towards repayment of its existing trade lines for working capital used mainly to purchase raw materials related to its manufacturing, details of which are set out below:-

Outstanding balance as :RM328.38 million
at LPD
Proposed repayment :RM10.0 million
Maturity date :5 May 2021 to 7 May 2021
Interest rate :3.9% - 5.1% per annum

For illustrative purposes, the repayment of the trade lines amounting to RM10.0 million is expected to result in interest savings of RM0.39 million to RM0.51 million per annum assuming an interest rate of 3.9% to 5.1% per annum.

2.7.2 Working capital

The Company proposes to utilise RM68.6 million under the Minimum Scenario and RM69.0 million under Maximum Scenario to finance the working capital requirements for the Group. A breakdown of the utilisation is as follows:

Description	Minimum Scenario RM'000	Maximum Scenario RM'000
Purchasing of raw materials ⁽¹⁾	57,568	57,993
Utilities payment ⁽²⁾	11,000	11,000
Total	68,568	68,993

Notes:

(1) Comprises approximately 46,000 MT of scrap metals.

(2) Tenaga National Berhad : RM9.0 million per month
Gas Malaysia Berhad : RM2.0 million per month

For FYE 2019, the Company utilised approximately 407,000 MT of scrap metals for its steel manufacturing. Total utilities for the said financial year amounted to RM109.0 million for electricity and RM24.0 million for natural gas.

2.7.3 Estimated expenses for the Proposed Rights Issue with Warrants

Description	RM'000
Professional fees ⁽¹⁾	555
Fees to authorities	60
Underwriting fees	1,700
Miscellaneous charges (Printing, meeting expenses and advertising)	185
	2,500

Note:

(1) Comprises the professional fees of the Principal Adviser, Solicitors, Reporting Accountants, IMR, Share Registrar, and Company Secretary.

In the event the actual expenses are less than the allocated amount, the excess allocated amount shall be utilised as working capital for the Group. Any excess or shortfall of the actual proceeds raised will be adjusted towards or against the utilisation for the working capital requirement.

Pending utilisation of the proceeds from the Proposed Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional general working capital for the Group.

2.8 Proceeds from exercise of Warrants

Assuming an exercise price of the Warrants of RM0.36 each, the full exercise of the Warrants will raise up to RM81.1 million (under the Minimum Scenario) and RM81.5 million (under the Maximum Scenario).

Any proceeds arising from the exercise of the Warrants in the future shall be utilised for the working capital of the Group which includes but is not limited to salaries, rental, purchase of raw materials, utilities payment, transportation and other related expenses for its ordinary course of business, the breakdown of which has yet to be determined. The exact details of the utilisation of such proceeds, including the breakdown of the utilisation have not been determined. Pending utilisation of such proceeds, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional general working capital for the Group.

3. RATIONALE AND JUSTIFICATION

After considering other methods of fundraising such as bank borrowings and private placement of shares, as well as the capital structure of Masteel, our Board is of the opinion that the Proposed Rights Issue with Warrants is more appropriate method of raising funds, after taking into account the following:

- (i) The issuance of Rights Shares would enable our Group to secure funding for the purposes set out in Section 2.7 of at least RM81.1 million under the Minimum Scenario and up to RM81.5 million under the Maximum Scenario to provide the Group with additional working capital in view of the expected increase in demand for steel, as the steel industry is expected to recover in the near future;
- (ii) Our Group will be able to secure funding explained in item (i) without incurring interest costs compared to bank borrowings;
- (iii) Compared to other equity offerings, the Proposed Rights Issue with Warrants will involve the issuance of new Masteel Shares without diluting the Entitled Shareholders' shareholdings, provided that all Entitled Shareholders subscribe in full for their respective entitlements;
- (iv) Our Group's cash and bank balances as at LPD is RM29.2 million which are already earmarked for its existing working capital to repay our staff cost and payables. Our management is of the view that the additional proceeds raised from the Proposed Rights Issue with Warrants will ease our Group's cash flow as the proceeds will be utilised to purchase raw materials and utilities payment;
- (v) The Proposed Rights Issue with Warrants will increase the number of Masteel Shares in circulation which is may potentially enhance the liquidity and marketability of Masteel Shares on the Main Market of Bursa Securities;
- (vi) The Warrants attached to the Rights Shares are expected to enhance the attractiveness of the Rights Shares. It provides the shareholders with the option to further participate in the equity of our Company at a pre-determined price and enable them to benefit from the future growth of our Company and any potential capital appreciation arising thereof;
- (vii) The Proposed Rights Issue with Warrants will strengthen our Company's financial position with enhanced shareholders' funds. These factors are expected to facilitate the continuous business expansion plans of our Company; and
- (viii) The Warrants will also provide our Company with additional capital when they are exercised. The exercise of the Warrants will allow our Company to raise fresh proceeds without incurring additional financing cost and minimise any potential cash outflow in respect of interest servicing.

3.1 Details of equity fund-raising exercises undertaken in the past 12 months

On 13 September 2019 and 17 September 2019, the Company proposed to undertake the Private Placement.

Bursa Securities had, vide its letter dated 19 September 2019, approved the listing and quotation of up to 42,500,000 new Masteel Shares under the Private Placement. The Private Placement was implemented under a shareholders' mandate obtained at the Company's Annual General Meeting held on 20 June 2019. A total of 25,500,000 new Masteel Shares was issued from 1 October 2019 to 12 February 2020 at an average price of RM0.376 per share.

On 5 March 2020, Bursa Securities has granted the Company an extension of time until 18 September 2020 to complete the implementation of the Private Placement.

Bursa Securities' approval for the Private Placement lapsed on 18 September 2020 and no further extension of time was sought.

The total proceeds raised by the Company from the Private Placement had been utilised in the following manner:

	Proposed and actual utilisation
	RM'000
Repayment of bank borrowings	9,752
Estimated expenses	96
	9,848

Save for the Private Placement, the Company had not undertaken any other equity fund-raising exercises in the past 12 months preceding LPD.

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4. FINANCIAL EFFECTS

For illustrative purposes, the financial effects of the Proposed Rights Issue with Warrants set out in the following subsections assume that the indicative issue price of the Rights Shares and the exercise price of the Warrants are both fixed at RM0.36.

4.1 Share capital

The effect of the Proposed Rights Issue with Warrants on the Company's issued share capital is set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Masteel Shares	RM	No. of Masteel Shares	RM
Existing issued and share capital	⁽¹⁾ 450,379,231	239,942,515	⁽¹⁾ 450,379,231	239,942,515
Assuming all treasury shares are resold	-	-	2,360,600	-
	450,379,231	239,942,515	452,739,831	239,942,515
To be issued pursuant to the Proposed Rights Issue with Warrants	225,189,615	81,068,261	226,369,915	81,493,169
Enlarged share capital after Proposed Rights Issue with Warrants	675,568,846	321,010,776	679,109,746	321,435,684
To be issued assuming full exercise of Warrants	225,189,615	81,068,261	226,369,915	81,493,169
Enlarged share capital	900,758,461	402,079,037	905,479,661	402,928,853

Note:

- ⁽¹⁾ Excluding a total of 2,360,600 ordinary shares bought-back by the Company and retained as treasury shares as at LPD.

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4.2

NA and gearing

Based on the audited consolidated statement of financial position of Masteel as at 31 December 2019, the pro forma effects of the Rights Issue with Warrants on the NA and gearing of Masteel and its subsidiaries are set out below:

Minimum Scenario

	(I)	(II)	(III)
	Audited as at 31 December 2019	(1) Adjusted for subsequent events	After the Proposed Rights Issue with Warrants
	RM'000	RM'000	RM'000
Share capital	233,310	239,943	321,011
Subscription money received	950	-	-
Warrant reserves	-	-	(3)31,527
Revaluation reserves	76,649	76,649	76,649
Treasury shares	(1,324)	(1,490)	(1,490)
Retained earnings	420,397	420,397	(3)(4)386,370
Shareholders' funds/NA	729,982	735,499	814,067
No. of Masteel Shares ('000)(excluding treasury shares)	434,365	450,379	675,569
NA per Masteel Share (RM)	1.68	1.63	1.21
Interest bearing borrowings (RM'000)	478,594	478,594	(5)468,594
Gearing	0.66	0.65	0.58
			0.52

Notes:

- (1) After taking into consideration the issuance of 14,200,000 new Masteel Shares issued from 1 January 2020 to 12 February 2020 at an average price of RM0.392 per share pursuant to the Private Placement, share buyback of 685,600 shares from 13 March 2020 to 25 March 2020 and the subscription money received of RM950,000 being converted into share capital.
- (2) Assuming the exercise of all 225,189,615 Warrants at the exercise price of RM0.36 each which is calculated based on less than 50% from the theoretical ex-all price of Masteel Shares in accordance with Section 2.2(b).
- (3) A reserve of RM31,526,546 is provided for the issuance of 225,189,615 Warrants at a fair value of RM0.27 each, calculated using the Black-Scholes valuation model as extracted from Bloomberg. Black-Scholes is a pricing model used to determine the fair price based on six variables namely volatility, type of option, underlying stock price, time, strike price and risk-free rate.
- (4) After deducting estimated expenses in relation to the Rights Issue with Warrants of RM2.5 million.

- (5) After deducting the estimated RM10.0 million from the total proceeds of the Proposed Rights Issue with Warrants towards repayment of the Company's existing trade lines.

Maximum Scenario

	(I)	(II)	(III)
	(1) Adjusted for subsequent events	After the Proposed Rights Issue with Warrants	(2) After (II) and assuming full exercise of all Warrants
Audited as at 31 December 2019	RM'000	RM'000	RM'000
Share capital	233,310	321,436	402,929
Subscription money received	950	-	-
Warrant reserves	-	(3)31,692	-
Revaluation reserves	76,649	76,649	76,649
Treasury shares	(1,324)	(4)-	-
Retained earnings	420,397	(3)(5)386,205	417,897
Shareholders' funds/NA	729,982	815,982	897,475
No. of Masteel Shares ('000)(excluding treasury shares)	434,365	679,110	905,480
NA per Masteel Share (RM)	1.68	1.20	0.99
Interest bearing borrowings (RM'000)	478,594	(6)468,594	468,594
Gearing	0.66	0.57	0.52

Notes:

- (1) After taking into consideration the issuance of 14,200,000 new Masteel Shares issued from 1 January 2020 to 12 February 2020 at an average price of RM0.392 per share pursuant to the Private Placement, share buyback of 685,600 shares from 13 March 2020 to 25 March 2020 and the subscription money received of RM950,000 being converted into share capital.
- (2) Assuming the exercise of all 226,369,915 Warrants at the exercise price of RM0.36 each which is calculated based on less than 50% from the theoretical ex-all price of Masteel Shares in accordance with Section 2.2(b).
- (3) A reserve of RM31,691,788 is provided for the issuance of 226,369,915 Warrants at a fair value of RM0.27 each, calculated using the Black-Scholes valuation model as extracted from Bloomberg. Black-Scholes is a pricing model used to determine the fair price based on six variables namely volatility, type of option, underlying stock price, time, strike price and risk-free rate.
- (4) Assuming all 2,360,600 treasury shares resold at cost prior to the implementation of the Proposed Rights Issue with Warrants.

⁽⁵⁾ After deducting estimated expenses in relation to the Proposed Rights Issue with Warrants of RM2.5 million.

⁽⁶⁾ After deducting the estimated RM10.0 million from the total proceeds of the Proposed Rights Issue with Warrants towards repayment of the Company's existing trade lines.

4.3 Substantial shareholders' shareholdings

The pro forma effect of the Proposed Rights Issue with Warrants on the shareholdings of the substantial shareholders assume that they will subscribe for their entitlement under the Proposed Rights Issue with Warrants is set out below:

Minimum Scenario

	⁽¹⁾ As at LPD				(I) After the Rights Issue with Warrants				(II) After (I) and assuming full exercise of all Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
TTY Resources Sdn Bhd	139,493	30.97	-	-	209,239	30.97	-	-	278,985	30.97	-	-
Dato' Sri Tai Hean Leng @ Tek Hean Leng	-	-	139,493	(2)30.97	-	-	209,239	30.97	-	-	278,985	30.97
Datin Ng Pik Lian	-	-	149,988	(3)33.30	-	-	224,982	33.30	-	-	299,976	33.30
Estate of Tai Chet Siang, Deceased	-	-	139,493	(2)30.97	-	-	209,239	30.97	-	-	278,985	30.97

Maximum Scenario

	⁽⁴⁾ As at LPD				(I) After the Proposed Rights Issue with Warrants				(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
TTY Resources Sdn Bhd	139,493	30.81	-	-	209,239	30.81	-	-	278,985	30.81	-	-

	(I) After the Proposed Rights Issue with Warrants				(II) After (I) and assuming full exercise of Warrants			
	(4)As at LPD							
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of Shares (‘000)	No. of Shares (‘000)	No. of Shares (‘000)	No. of Shares (‘000)	No. of Shares (‘000)	No. of Shares (‘000)	No. of Shares (‘000)	No. of Shares (‘000)
	%	%	%	%	%	%	%	%
Dato’ Sri Tai Hean Leng @ Tek Hean Leng	-	-	139,493	(2)30.81	-	209,239	-	278,985
Datin Ng Pik Lian	-	-	149,988	(3)33.13	-	224,982	-	299,976
Estate of Tai Chet Siang, Deceased	-	-	139,493	(2)30.81	-	209,239	-	278,985

Notes:

- (1) Excluding a total of 2,360,600 ordinary shares bought-back by the Company and retained as treasury shares as at LPD.
- (2) Deemed interested pursuant to Section 8(4) of the Act by virtue of their interests in TYY Resources Sdn Bhd.
- (3) Deemed interested pursuant to Section 8(4) of the Act by virtue of her interest in TYY Resources Sdn Bhd and Kemajuan Rekacekap Sdn Bhd.
- (4) Assuming a total of 2,360,600 treasury shares are resold as at LPD.

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4.4 Earnings and EPS

The Proposed Rights Issue with Warrants will not have any effect on the earnings of the Group for FYE 2020 as it will be completed after the said financial year.

The Proposed Rights Issue with Warrants is also not expected to have a material effect on the earnings of the Group for FYE 2021. However, the EPS of the Group may be diluted upon the issuance of the Rights Shares and the new Masteel Shares arising from the exercise of the Warrants.

The potential effects of the Proposed Rights Issue with Warrants on the future consolidated earnings and EPS of Masteel Group will depend on, amongst others, the level of returns generated from the use of proceeds to be raised from the Proposed Rights Issue with Warrants. For illustrative purposes, based on the latest audited consolidated financial statements for FYE 2019 and assuming that the Proposed Rights Issue with Warrants has been implemented as at 31 December 2019, the pro forma effects of the Proposed Rights Issue with Warrants on the earnings and EPS of the Group as follows:

	Audited as at 31 December 2019	After the Proposed Rights Issue with Warrants	
	RM'000	Minimum Scenario	Maximum Scenario
		RM'000	RM'000
Loss attributable to owners of ordinary shareholders	(8,326)	⁽³⁾ (10,826)	⁽³⁾ (10,826)
Weighted average no. of shares in issue ('000) ⁽¹⁾	426,345	651,535	652,715
No. of Warrants ('000)	-	225,190	226,370
Basic LPS (sen)	(1.95)	(1.66)	(1.66)
Diluted LPS (sen) ⁽²⁾	(1.95)	(1.23)	(1.23)

Notes:

- (1) The weighted average number of shares for the audited FYE 31 December 2019 is weighted based on the number of outstanding Masteel Shares multiplied by the percentage of the reporting period for which that number of Shares applies to, throughout the financial year.
- (2) Assuming the exercise of all Warrants.
- (3) After deducting estimated expenses in relation to the Proposed Rights Issue with Warrants of RM2.5 million.

4.5 Convertible securities

As at LPD, the Company does not have any outstanding convertible securities issued.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy experienced the full impact of the COVID-19 pandemic in the second quarter of 2020, with the real GDP contracting by 17.10%. The contraction was mainly attributed to the imposition of the MCO to contain the outbreak. Though affecting all sectors in the economy, the move was necessary to flatten the COVID-19 curve and save lives.

Hence, the Government has announced several stimulus packages totalling RM305.00 billion to support both households and businesses. 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. Thus, Malaysia's GDP is expected to contract by 4.50%⁽¹⁾ in 2020, before rebounding between 6.50% and 7.50% in 2021. With the bold and swift measures undertaken, Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Note:-

⁽¹⁾ According to Bank Negara Malaysia, the contraction of Malaysia's GDP in 2020 is estimated to be in the range of 3.50% to 5.50%.

The construction sector contracted by 25.90% in the first half of 2020 and is expected to shrink by 11.80% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, civil engineering and specialised construction activities subsectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages. Overall, for the year, the sector is projected to contract by 18.70%.

The construction sector is expected to rebound by 13.90% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector will continue to be the main driver of the construction sector. Among the major infrastructure projects include 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. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase 1).

The residential subsector is anticipated to improve, supported by various measures taken by the Government to address the property overhang situation. Among the measures include the extension of HOC, exemption of real property gains tax, the introduction of rent-to-own scheme as well as reduction of foreign ownership threshold. The performance of the non-residential subsector is expected to recover marginally, supported by on-going commercial projects, including Bukit Bintang City Centre, Cyberjaya City Centre, Forest City and Malaysia Vision Valley 2.0.

(Sources: Economic Outlook 2021 published by Ministry of Finance Malaysia, Bank Negara Malaysia)

5.2 Outlook and prospects of the steel industry in Malaysia

5.2.1 Industry performance and outlook

As a majority of Masteel Group's revenue is derived in Malaysia, this section will focus on the following:

- Overall demand for steel in Malaysia, represented by the apparent consumption of total steel products in Malaysia;
- Demand for steel billets in Malaysia, represented by the apparent consumption of steel billets in Malaysia; and
- Demand for steel bars in Malaysia, represented by the apparent consumption of steel bars in Malaysia.

Apparent consumption is used to represent domestic demand of a product which is calculated by the sum of production value and import value minus export value. The industry performance and outlook of these steel products in Malaysia are described as follows:

► **Steel industry in Malaysia**

Overall demand for steel in Malaysia, represented by the apparent consumption of total steel products, recorded a negative CAGR of 1.23% from 9.44 million MT in 2017 to 9.21 million MT in 2019. The decrease in apparent consumption of total steel products in Malaysia in 2019 may be mainly due to a lower YOY growth in the construction sector in Malaysia. In 2019, the value of construction work done in Malaysia experienced a relatively low YOY growth of 0.56% as compared to a YOY growth of 5.13% in 2018.

In view of the outbreak of the COVID-19 virus since early 2020, the Government has imposed nationwide movement restrictions to contain the spread of the virus, namely MCO from 18 March 2020 to 3 May 2020, conditional MCO from 4 May 2020 to 9 June 2020, and recovery MCO from 10 June 2020 to 31 March 2021. However, following the resurgence of the COVID-19 infected cases, MCO and conditional MCO have been re-imposed in most of the states and federal territories for different durations since the last quarter of 2020.

The imposition of these nationwide movement restrictions has negatively affected many businesses, including businesses in the steel industry. During the first MCO period, most businesses were forced to temporarily close their operations except for those deemed essential services or unless they received approval from the relevant government authorities to operate, and even so, under a set of strict standard operating procedures and/or at reduced capacity. As the steel industry is mainly driven by the growth of the construction sector due to the widespread use of steel in construction activities, the temporary disruption of construction activities during the nationwide movement restriction periods has adversely affected the demand for steel.

Due to the uncertain economic conditions resulting from the COVID-19 pandemic, SEAISI estimates the overall demand for steel in Malaysia to have fallen by 8.00% to 8.47 million MT in 2020. Nevertheless, in view of the anticipated recovery of the steel industry underpinned by the demand drivers outlined in Section 5.2.2, Smith Zander forecasts the overall demand for steel in Malaysia to grow by 5.79% from 8.47 million MT in 2020 to 8.96 million MT in 2021.

► **Steel billet market in Malaysia**

Demand for steel billets in Malaysia, represented by the apparent consumption of steel billets, increased from 3.40 million MT in 2017 to 4.83 million MT in 2019⁽¹⁾ at a CAGR of 19.19%.

In view of the COVID-19 pandemic and the nationwide movement restrictions imposed by the Government which has caused disruptions to many economic sectors and affected the demand for steel products, Smith Zander estimates the demand for steel billets, based on the apparent consumption of steel billets, to have declined by 6.21% from 4.83 million MT in 2019 to 4.53 million MT in 2020. Nevertheless, as the steel billet market is expected to recover underpinned by the demand drivers outlined in Section 5.2.2, Smith Zander forecasts the demand for steel billets to increase by 5.08% from 4.53 million MT in 2020 to 4.76 million MT in 2021.

Note:

⁽¹⁾ *The apparent consumption in 2019 includes total apparent consumption of steel billets and steel blooms as the breakdown is not publicly available.*

► **Steel bar market in Malaysia**

Demand for steel bars in Malaysia, represented by the apparent consumption of steel bars, decreased from 2.82 million MT in 2017 to 2.81 million MT in 2019 at a negative CAGR of 0.18%. A decrease in apparent consumption of steel bars in Malaysia may be due to a lower YOY growth in the country's construction activities as well as an increase in exports of steel bars in 2019. The exports of steel bars increased by 256.77% from 90,870 MT in 2018 to 324,197 MT in 2019.

In view of the negative impact on most businesses as a result of the COVID-19 pandemic and the nationwide movement restrictions imposed by the Government, Smith Zander estimates the demand for steel bars, based on the apparent consumption of steel bars, to have declined by 6.41% from 2.81 million MT in 2019 to 2.63 million MT in 2020. Nevertheless, in view of the anticipated recovery of the steel bar market underpinned by the demand drivers outlined in Section 5.2.2, Smith Zander forecasts the demand for steel bars to grow by 4.94% from 2.63 million MT in 2020 to 2.76 million MT in 2021.

5.2.2 Key demand drivers

► **Plans and policies by the Government to promote infrastructure development will drive the demand for steel products**

Infrastructure development is the construction of foundational services that can help to improve efficiency and productivity, enhance social welfare and the people's standard of living as well as stimulate economic growth of a country. As steel products such as steel bars are essential building materials for the construction of infrastructure, the outlook of Malaysia's steel industry is expected to benefit from the Government's persistent drive to develop and upgrade its infrastructure.

In 2019, the Government announced the revival of several major infrastructure projects including the Light Rail Transit Line 3, ECRL, as well as the Bandar Malaysia mixed development project, which were previously suspended. However, pursuant to the imposition of nationwide movement restrictions by the Government as a result of the COVID-19 pandemic, the construction sector has experienced disruptions in the supply chain of building materials, reduction in size of construction workforce or a temporary halt of construction works, amongst others, leading to disruptions and delays in construction of infrastructure projects. Such disruptions have temporarily dampened construction activities which have consequently lowered the demand for steel products.

Nevertheless, as part of the economic stimulus package known as PRIHATIN Rakyat Economic Stimulus Package announced by the Government on 27 March 2020, several mega infrastructure projects such as Mass Rapid Transit Line 2 and ECRL will be continued, which is expected to ensure sustainable economic growth of the country as well as to cushion the negative economic impact caused by the COVID-19 pandemic. Further, under Budget 2021, the Government proposed to allocate RM15.00 billion to fund several infrastructure development projects including the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double Tracking Project and Klang Valley Double Tracking Project; RM2.70 billion to fund rural infrastructure development projects including rural and inter-village road projects spanning 920 kilometres, building and repairing of 15,000 houses, and installation of 27,000 units of lamps; and RM2.50 billion for contractors in Class G1 to G4 to carry out small and medium construction projects across the country including additional RM200.00 million for maintenance projects for Federal Roads and RM50.00 million for People's Housing Programme (PPR) houses.

In addition, the Government has also announced projects revival of Rapid Transit System Link from Johor Bahru to Woodlands, Singapore, and Mass Rapid Transit Line 3 in Klang Valley. As the construction works for these projects progress, the demand for steel products will improve to support the construction works required.

The Government's continuous efforts in promoting infrastructure development in the country will continue to drive the demand for steel products which are essential to support construction activities undertaken for the infrastructure development projects.

► **Overall growth in the construction sector will drive the demand for steel products**

Apart from infrastructure development, the demand for steel is also driven by construction activities undertaken to construct residential, commercial and industrial properties.

Construction activities are largely economic-driven, whereby economic growth may contribute to increased disposable income among the population arising from higher employment, and increased earnings for businesses and companies due to greater operating scale and wider market reach. Consequently, this leads to increased demand for residential, commercial and industrial properties as well as supporting infrastructure, which in turn leads to higher demand for steel products.

The performance of the construction sector in Malaysia as measured by the value of construction work done, recorded a CAGR of 2.82% from RM138.45 billion in 2017 to RM146.37 billion in 2019, demonstrating growing demand for construction works for residential homes and to support business activities.

However, in view of the COVID-19 pandemic, Bank Negara Malaysia has revised the GDP projected growth in 2020, which was initially targeted at 4.80%, to the range of -3.50% to -5.50%, indicating potential adverse economic conditions for the year. This has reduced consumer purchasing power and consumers may be more prudent on making investment decisions, especially investing in high value assets such as properties, in view of anticipated adverse economic impact of the COVID-19 pandemic. Therefore, this has negatively impacted the demand for properties and in turn lowered the demand for construction services. Following this, the demand for steel products including steel billets and steel bars has declined as well. Smith Zander estimates Malaysia's value of construction work done to have decreased by 18.38% to RM119.47 billion in 2020.

Nevertheless, in view of the anticipated rebound of the construction sector in 2021, Smith Zander forecasts Malaysia's value of construction work done to increase by 7.25% from RM119.47 billion in 2020 to RM128.13 billion in 2021. To stimulate the property market and provide financial relief to home-buyers, the Government has introduced several initiatives through the Pelan Jana Semula Ekonomi Negara (PENJANA) Short-Term Economic Recovery Plan (June-December 2020). One of the initiatives is to reintroduce the HOC whereby stamp duties are exempted on the instruments of transfer and loan agreement for residential properties purchased at a price between RM300,000 and RM2.50 million; of which the properties are also subject to at least 10.00% discounts given by the developer.⁽¹⁾ In addition, the 70.00% margin of financing limit applicable for a home-buyer's third housing loan onwards for properties priced RM600,000 and above has also been uplifted during the period of the HOC, subject to the respective internal risk management practices of financial institutions. Under Budget 2021, the Government proposed to further extend the full stamp duty exemptions on the instruments of transfer and loan agreement for the first residential property purchased by each Malaysian home-buyer to 31 December 2025, with property price limit increased from RM300,000 to RM500,000.

Note:-

- ⁽¹⁾ *The exemption on the stamp duty of instruments of transfer is limited to the first RM1.00 million of the home price while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between 1 June 2020 and 31 May 2021.*

Moving forward, with these initiatives in place, consumers will be encouraged to purchase residential properties which may thus drive the demand for residential properties. This may in turn support the demand for construction activities and may spur the demand for steel products in the longer term. Further, as Malaysian economy recovers after the impact of the COVID-19 pandemic subsides, the construction sector may revive and will then drive the recovery and future growth of the steel industry in Malaysia.

In view of the Government's effort to combat the economic impact of the COVID-19 pandemic through the introduction of several stimulus packages to assist households and businesses, the Malaysian economy is expected to gradually recover in 2021 with a GDP growth between 6.50% and 7.50%, based on the latest forecast by the Ministry of Finance Malaysia. Further, according to the Economic Outlook 2021 published by the Ministry of Finance Malaysia, the construction sector is expected to rebound by 13.90% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. Premised on the above, moving forward, the steel industry is expected to recover alongside the improving performance of the Malaysian economy and construction sector, and is expected to continue to grow once the impact of the COVID-19 pandemic subsides.

(Source: IMR Report, Smith Zander)

Kindly refer to the IMR Report set out in **Appendix II** on additional information.

5.3 Impact of COVID-19 on the operations and financial performance of Masteel Group

The recent ongoing COVID-19 outbreak has caused global economic slowdown since early 2020. As the Malaysian Government enforced the MCO on 18 March 2020, any travel and social gathering had been restricted as well as closure of non-essential businesses.

Our steel businesses had also suspended operations during the initial period of the MCO. Notwithstanding the temporary suspension of operations during the MCO, the impact of COVID-19 on Masteel Group's financial performance for the FYE 31 December 2020 was limited as Masteel Group had gradually resumed operations since 1 May 2020 after the lifting of travel restriction within the recovery MCO period. Operationally, Masteel Group will continue to comply with the Standard Operating Procedures introduced by Malaysia's Ministry of Health.

Moving forward, we expect to face some challenges in term of logistics/sales from the implementation of any new rules imposed by local governments and requirements arising from the COVID-19 pandemic situation. Nevertheless, we will endeavour to comply with any such rules/ requirements and ensure that our business operations are able to function at its optimum capacity.

There can be no assurance that any prolonged adverse development arising from MCO, COVID-19 and/ or any other external factors will not have material adverse effect on the financial performance and operations of Masteel Group.

5.4 Prospects of Masteel

Globally, the entire world's economy has been disrupted by the COVID-19 pandemic and it is unleashing major business slowdown everywhere. Malaysia is also not spared as the Government had announced a lockdown on non-essential businesses thereby bringing economic activity in the nation to a halt.

Oil prices also took a dive below USD 30/bbl at the beginning of 2020 affecting markets worldwide. While oil prices do not directly affect the steel industry, it is expected to hamper construction and development projects as the government's loss of revenue from oil-related sources would lead to a reduction in infrastructure spending.

With the COVID-19 global pandemic coupled with the crash in oil prices, our country's revenue will be severely affected. However, our new Perikatan Nasional government had announced that most projects under Malaysia's Budget 2020 will continue as planned.

Overall demand for steel in Malaysia, represented by the apparent consumption of total steel products, recorded a negative CAGR of 1.23% from 9.44 million MT in 2017 to 9.21 million MT in 2019.

Oversupply in the local steel sector is expected to persist due to continued output and operations of a foreign-owned steel mill in Kuantan. The issue of oversupply due to imports in the Malaysian market is reduced via MITI's anti-dumping duty on steel products from Singapore and Turkey gazetted on 21 January 2020. Masteel is determined and confident to remain competitive in the local steel arena until equilibrium in the market is reached. As we strive to remain competitive, we continue to invest capital expenditures in the latest steel melting technology to optimize our costs.

Based on the success of the latest state-of-the-art induction furnace facility which is significantly cost-saving to our steel production, we are in the trial process of installing its third plant. With its familiarity and operational experiences, the new facility will effectively be "plug and play" which will reduce any major gestation period. The Company will be able to rapidly reap the benefits upon commissioning. Furthermore, the new addition will provide Masteel with increased versatility in product range which includes alloy and stainless steel (in the near future). With the anticipated commissioning of the new plant by first quarter of 2021 and regular orders from our customers, Masteel will be better equipped and prepared to cope with such unprecedented economic impact arising from the current global COVID-19 pandemic, local political uncertainties and the decline of oil prices.

Over the longer term, to ensure sustainability of our operations, following the commissioning of our third induction furnace in the first quarter of 2021, we plan to expand our range of products to include "cut and bend" steel bars which will provide us with improved margins compared to regular steel bars, and is expected to increase progressively given the expected persistency of steel demand moving forward.

(Source: Management of Masteel)

6. HISTORICAL SHARE PRICE PERFORMANCE

The monthly highest and lowest market prices of Masteel Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High RM	Low RM
2020		
January	0.535	0.375
February	0.440	0.350
March	0.370	0.170
April	0.405	0.235
May	0.385	0.310
June	0.390	0.280
July	0.335	0.295
August	0.345	0.275
September	0.320	0.285
October	0.315	0.275
November	0.400	0.280
December	0.775	0.385
The last transacted market price of Masteel Shares immediately prior to the announcement on 7 December 2020		0.480
Last transacted market price on LPD		0.590

(Source: M&A Securities)

7. APPROVALS REQUIRED

The Proposed Rights Issue with Warrants is conditional upon the following being obtained:

- (a) approval of Bursa Securities which was obtained on 15 January 2021 for the following:
 - (i) the listing of and quotation for the Rights Shares, Warrants and new Masteel Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities; and
 - (ii) admission of the Warrants on the Official List of Bursa Securities.
- (b) approval by our shareholders at the forthcoming EGM; and
- (c) approval, waiver and/or consent of any other relevant authorities and/or persons, if required.

The Proposed Rights Issue with Warrants is not conditional upon any other corporate proposals, if any.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/ or major shareholder of Masteel and/ or chief executive and/ or persons connected to them have any interest in the Proposed Rights Issue with Warrants, except for their respective entitlements as shareholders of the Company under the Proposed Rights Issue with Warrants including the right to apply for additional Rights Shares under the excess Rights Shares application, which are also available to all existing shareholders of the Company.

Note: As disclosed in Section 2.6, TYY has given the Undertaking to subscribe for at least 69,746,308 Rights Shares based on the full subscription of its entitlement.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

After having considered all aspects of the Proposed Rights Issue with Warrants, including its rationale, the funding requirements of the Group and the proposed manner of utilisation of the proceeds of the Proposed Rights Issue with Warrants, the Board is of the opinion that the Proposed Rights Share with Warrants is in the best interest of the Company and accordingly recommends that you vote in favour of the resolution pertaining to the Proposed Rights Issue with Warrants to be tabled at the forthcoming EGM of the Company.

10. ESTIMATED TIMEFRAME FOR COMPLETION

The tentative timetable in relation to the Proposed Rights Issue with Warrants is as follows:

Event	Date
EGM to approve the Proposed Rights Issue with Warrants	23 March 2021
Announcement of Entitlement Date	Mid April 2021
Issuance of abridged prospectus	End April 2021
Closing date for subscription and payment of the Proposed Rights Issue with Warrants	Early May 2021
Listing of and quotation for the Rights Share and Warrants	End May 2021

Barring any unforeseen circumstances and subject to receipt of all relevant approvals, the Proposed Rights Issue with Warrants is expected to be completed by the second quarter of 2021.

11. OUTSTANDING CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Rights Issue with Warrants, there is no other corporate exercise/scheme being undertaken by the Company which has been announced but is pending completion as at the date of this Circular.

12. EGM

The EGM of Masteel, the Notice of which is enclosed with this Circular, will be held on Tuesday, 23 March 2021, at 3.00 p.m. , as a fully virtual meeting via live streaming broadcast from Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No.23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposed Rights Issue with Warrants as described herein.

You are encouraged to attend, participate, speak (in the form of real time submission of typed texts) and vote remotely at the forthcoming EGM using the remote participation and electronic voting facilities. If you are unable to participate in the online EGM, you may appoint a proxy or proxies to participate and vote on your behalf. The Form of Proxy may be submitted by hand or by post to the Company's Share Registrar Office at Level 7, Menara Milenium Jalan Damansara, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof, otherwise the Form of Proxy shall be treated as invalid. Alternatively,

the Form of Proxy may also be electronically submitted via <https://sshsb.net.my/login.aspx>. Please refer to Administrative Guide for further information on electronic submission. The lodging of the Form of Proxy shall not preclude you from participating in the online EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

You are advised to refer to the ensuing appendices set out in this Circular for further information.

Yours faithfully,
for and on behalf of the Board of Directors,
MALAYSIA STEEL WORKS (KL) BHD

DATO' SRI TAI HEAN LENG @TEK HEAN LENG
Managing Director/Chief Executive Officer

PART B

PROPOSED AMENDMENTS

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

1. INTRODUCTION

On 18 January 2021, the Company announced to Bursa Securities that the Board proposed to seek the shareholders' approval for proposed amendments to the Constitution of the Company.

The purpose of Part B of this Circular is to provide you with details of the Proposed Amendments, as well as to seek your approval for the Special Resolution to be tabled at the forthcoming EGM of the Company.

2. DETAILS AND RATIONALE FOR THE PROPOSED AMENDMENTS TO THE CONSTITUTION

The details of the Proposed Amendments to the Constitution are set out in Appendix IV of this Circular. The purpose of the Proposed Amendments is to enhance administrative efficiency and provide greater clarity to the Company's Constitution.

3. EFFECTS OF THE PROPOSED AMENDMENTS TO THE CONSTITUTION

The Proposed Amendments to the Constitution will not have any effect on the share capital and shareholdings of substantial shareholders of the Company, and will not have any material effect on the net assets, gearing and earnings per share of the Group.

4. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors or major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposed Amendments.

5. APPROVAL REQUIRED

The Proposed Amendments is subject to the approval of the Company's shareholders at the forthcoming EGM to be convened or at any adjournment thereof. Save and except for the approval of the Company's shareholders, there are no other approvals required for the Proposed Amendments to the Constitution.

6. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Amendments to the Constitution, is of the opinion that the Proposed Amendments is in the best interest of the Company. Accordingly, the Board recommends that the shareholders of the Company to vote in favour of the Special Resolution pertaining to the Proposed Amendments to the Constitution to be tabled at the forthcoming EGM.

7. EGM

The EGM of Masteel, the Notice of which is enclosed with this Circular, will be held on Tuesday, 23 March 2021, at 3.00 p.m. , as a fully virtual meeting via live streaming broadcast from Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposed Amendments as described herein.

You are encouraged to attend, participate, speak (in the form of real time submission of typed texts) and vote remotely at the forthcoming EGM using the remote participation and electronic voting facilities. If you are unable to participate in the online EGM, you may appoint a proxy or proxies to participate and vote on your behalf. The Form of Proxy may be submitted by hand or by post to the Company's Share Registrar Office at Level 7, Menara Milenium Jalan Damanela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof, otherwise the Form of Proxy shall be treated as invalid. Alternatively, the Form of Proxy may also be electronically submitted via <https://sshsb.net.my/login.aspx>. Please refer to Administrative Guide for further information on electronic submission. The lodging of the Form of Proxy shall not preclude you from participating in the online EGM should you subsequently wish to do so.

8. FURTHER INFORMATION

You are advised to refer to the ensuing appendices set out in this Circular for further information.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

RSM Malaysia
celebrating **40** years



RSM Malaysia (AF:0768)

5th Floor, Penthouse, Wisma RKT,
Block A, No.2, Jalan Raja Abdullah,
Off Jalan Sultan Ismail,
50300 Kuala Lumpur, Malaysia.

T +603 2610 2888
F +603 2698 6600

Malaysia Steel Works (KL) Bhd ("Masteel" or the "Company")

Reporting Accountants' letter on the compilation of the pro forma consolidated statements of financial position for inclusion in the Company's circular to shareholders to be dated 8 February 2021 ("Circular") in relation to proposed renounceable rights issue of up to 226,369,915 new ordinary shares in Malaysia Steel Works (KL) Bhd ("Masteel" or the "Company") ("Rights Shares") together with up to 226,369,915 free detachable warrants ("Warrant(s)") on the basis of 1 Rights Share for every 2 existing ordinary shares held in Masteel together with 1 Warrant for every 1 Rights Share subscribed at an issue price and entitlement date to be determined later on a full subscription basis ("Proposed Rights Issue with Warrants")

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of Malaysia Steel Works (KL) Bhd and its subsidiary (collectively defined as "Masteel Group") as at 31 December 2019, and the related notes as attached to this report in **Appendix I** which have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of Masteel ("Directors") has compiled the pro forma consolidated statements of financial position are described in Note 1 of **Appendix I**.

The pro forma consolidated statements of financial position have been compiled by the Directors solely to illustrate the impact of the Proposed Rights Issue with Warrants on the Masteel Group's financial position as at 31 December 2019, as if the exercise event has taken place at 31 December 2019.

As part of this process, information about the Masteel Group's financial position has been extracted by the Directors for the financial year ended 31 December 2019, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the pro forma consolidated statements of financial position on the basis described in Note 1 of **Appendix I**.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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Reporting Accountants' Independence and Quality Control (continued)

The firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the Malaysian Institute of Accountants, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Directors on the basis described in Note 1 of **Appendix I**.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position on the basis described in Note 1 of **Appendix I**.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of Masteel Group as if the events have occurred or the transactions have been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effects to those criteria; and
- the pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of Masteel Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis stated in Note 1 of **Appendix I**.

Other Matters

Our report on the pro forma consolidated statements of financial position have been prepared for the Company for inclusion in the Circular in connection with the Proposal and should not be relied upon for any other purposes.

Yours faithfully,

A stylized, handwritten signature in black ink that reads 'RSM Malaysia' with a flourish at the end.

RSM Malaysia
AF 0768
Chartered Accountants

15 January 2021

**MALAYSIA STEEL WORKS (KL) BHD ("MASTEEL" OR THE "COMPANY")
AND ITS SUBSIDIARY ("MASTEEL GROUP")**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

The pro forma consolidated statements of financial position of the Masteel Group as at 31 December 2019 as set out below have been prepared solely for illustrative purposes only, to show the effects of all of the pro forma adjustments set out in Note 2, had these events been effected 31 December 2019, and should be read in conjunction with the rest of the notes in this attachment.

Minimum scenario - set out in Note 1

		Pro forma I	Pro forma II	Pro forma III
			After	After (II) and
	Audited	Adjusted for	the Rights	assuming full
Note	as at	subsequent	Issue with	exercise of all
	31 December	events	Warrants	Warrants
	2019			
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
	740,462	740,462	740,462	740,462
Property, plant and equipment				
Investment in associate	6,528	6,528	6,528	6,528
Deferred tax assets	3,793	3,793	3,793	3,793
	750,783	750,783	750,783	750,783
Current assets				
	533,379	533,379	533,379	533,379
Inventories				
Trade and other receivables	168,600	168,600	168,600	168,600
Tax recoverable	5,225	5,225	5,225	5,225
Fixed deposits with licensed banks	24,902	24,902	24,902	24,902
Cash and bank balances	35,403	40,920	109,488	190,556
3	767,509	773,026	841,594	922,662
TOTAL ASSETS				
	1,518,292	1,523,809	1,592,377	1,673,445
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
	233,310	239,943	321,011	402,079
Share capital				
Subscription money received	950	-	-	-
Warrant reserves	-	-	31,527	-
Revaluation reserves	76,649	76,649	76,649	76,649
Treasury shares	(1,324)	(1,490)	(1,490)	(1,490)
Retained earnings	420,397	420,397	386,370	417,897
8	729,982	735,499	814,067	895,135
TOTAL EQUITY				



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONTINUED)**

Minimum scenario - set out in Note 1 (continued)

		Pro forma I	Pro forma II	Pro forma III
	Audited as at 31 December 2019	Adjusted for subsequent events	After the Rights Issue with Warrants	After (II) and assuming full exercise of all Warrants
Note	RM'000	RM'000	RM'000	RM'000
LIABILITIES				
Non-current liabilities				
	11,857	11,857	11,857	11,857
Lease liabilities				
Borrowings	131,712	131,712	131,712	131,712
Deferred tax liabilities	47	47	47	47
	143,616	143,616	143,616	143,616
Current liabilities				
	229,419	229,419	229,419	229,419
Trade and other payables				
Trade deposits	80,250	80,250	80,250	80,250
Lease liabilities	3,272	3,272	3,272	3,272
Borrowings	331,753	331,753	321,753	321,753
	644,694	644,694	634,694	634,694
	788,310	788,310	778,310	778,310
TOTAL LIABILITIES				
	1,518,292	1,523,809	1,592,377	1,673,445
TOTAL EQUITY AND LIABILITIES				
Number of Masteel shares ('000) (excluded treasury shares)				
	434,365	450,379	675,569	900,758
	1.68	1.63	1.21	0.99
Net assets per Masteel share (RM)				
	478,594	478,594	468,594	468,594
Interest bearing borrowings (RM'000)				
	0.66	0.65	0.58	0.52
Gearing ratio (times)				



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONTINUED)

Maximum scenario - set out in Note 1

		Pro forma I	Pro forma II	Pro forma III
Note	Audited as at 31 December 2019 RM'000	Adjusted for subsequent events RM'000	After the Rights Issue with Warrants RM'000	After (II) and assuming full exercise of all Warrants RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	740,462	740,462	740,462	740,462
Investment in associate	6,528	6,528	6,528	6,528
Deferred tax assets	3,793	3,793	3,793	3,793
	<u>750,783</u>	<u>750,783</u>	<u>750,783</u>	<u>750,783</u>
Current assets				
Inventories	533,379	533,379	533,379	533,379
Trade and other receivables	168,600	168,600	168,600	168,600
Tax recoverable	5,225	5,225	5,225	5,225
Fixed deposits with licensed banks	24,902	24,902	24,902	24,902
Cash and bank balances	35,403	40,920	111,403	192,896
	<u>767,509</u>	<u>773,026</u>	<u>843,509</u>	<u>925,002</u>
TOTAL ASSETS	<u>1,518,292</u>	<u>1,523,809</u>	<u>1,594,292</u>	<u>1,675,785</u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	4 233,310	239,943	321,436	402,929
Subscription money received	5 950	-	-	-
Warrant reserves	6 -	-	31,692	-
Revaluation reserves	76,649	76,649	76,649	76,649
Treasury shares	7 (1,324)	(1,490)	-	-
Retained earnings	8 420,397	420,397	386,205	417,897
TOTAL EQUITY	<u>729,982</u>	<u>735,499</u>	<u>815,982</u>	<u>897,475</u>



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONTINUED)

Maximum scenario - set out in Note 1 (continued)

		Pro forma I	Pro forma II	Pro forma III
	Audited as at 31 December 2019	Adjusted for subsequent events	After the Rights Issue with Warrants	After (II) and assuming full exercise of all Warrants
Note	RM'000	RM'000	RM'000	RM'000
LIABILITIES				
Non-current liabilities				
	11,857	11,857	11,857	11,857
Lease liabilities				
Borrowings	131,712	131,712	131,712	131,712
Deferred tax liabilities	47	47	47	47
	143,616	143,616	143,616	143,616
Current liabilities				
	229,419	229,419	229,419	229,419
Trade and other payables				
Trade deposits	80,250	80,250	80,250	80,250
Lease liabilities	3,272	3,272	3,272	3,272
Borrowings	331,753	331,753	321,753	321,753
	644,694	644,694	634,694	634,694
	788,310	788,310	778,310	778,310
TOTAL LIABILITIES				
TOTAL EQUITY AND LIABILITIES	1,518,292	1,523,809	1,594,292	1,675,785
Number of Masteel shares ('000) (excluded treasury shares)	434,365	450,379	679,110	905,480
Net assets per Masteel share (RM)	1.68	1.63	1.20	0.99
Interest bearing borrowings (RM'000)	478,594	478,594	468,594	468,594
Gearing ratio (times)	0.66	0.65	0.57	0.52



**MALAYSIA STEEL WORKS (KL) BHD ("MASTEEL" OR THE "COMPANY")
AND ITS SUBSIDIARY ("MASTEEL GROUP")**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

1. Basis of preparation

The pro forma consolidated statements of financial position of Masteel Group as at 31 December 2019 are prepared based on the audited financial statements of Masteel Group for the financial year ended 31 December 2019, which were prepared in accordance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the requirements of Companies Act, 2016 ("Act") in Malaysia. The accounting policies, basis and assumptions used in the preparation of the pro forma consolidated statements of financial position are consistent with those adopted by Masteel Group in the preparation of their audited financial statements for the financial year ended 31 December 2019.

The pro forma consolidated statements of financial position do not include the effects of the adoption of Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board which are effective for the annual period beginning on 1 January 2020.

The pro forma is presented based on the following assumptions:

- (i) Minimum Scenario represents the scenario whereby it is assumed that no treasury share is sold prior to the Entitlement Date and 225,189,615 Rights Shares and 225,189,615 Warrants will be issued.
- (ii) Maximum Scenario represents the scenario whereby it is assumed that all treasury shares are sold prior to the Entitlement Date and all 226,369,915 Rights Shares and 226,369,915 Warrants will be issued.

2. Pro forma consolidated statements of financial position as at 31 December 2019

The pro forma consolidated statements of financial position are for illustrative purposes only and to incorporate the following transactions as though they were effected on 31 December 2019:

A. Pro forma I incorporates effects of subsequent events:

Subscription money

The share subscription money of RM950,000 (2,500,000 subscription shares) converted into share capital with Subscription Completion Date on 3 January 2020.

Placement Exercise

The share placement exercise involved the issuance of 42,500,000 Masteel Shares ("Placement Shares") pursuant to the shareholder's mandate obtained under Section 75 and 76 of the Act at the Company's 47th annual general meeting convened on 20 June 2019 ("Placement Exercise"). The subscription prices represent a discount to the average of the daily volume weighted average market prices ("VWAP") of the Company's shares during the 5 consecutive Trading Days and such shares will be listed and quoted on Main Market of Bursa Securities. The Placement Exercise was deemed completed on 18 September 2020.

The issuance of 14,200,000 new Masteel shares from 1 January 2020 to 12 February 2020 at an average placement share price of RM0.3919 pursuant to Private Placement.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONTINUED)**

**2. Pro forma consolidated statements of financial position as at 31 December 2019
(continued)**

A. Pro forma I incorporates effects of subsequent events: (continued)

Placement Exercise (continued)

The status of utilisation of proceeds raised from the Placement Exercise as at 15 January 2021 are as below:

Purpose	Actual proceeds raised (RM'000)	Actual proceeds utilised (RM'000)
Repayment of bank borrowings	9,752	9,752
Estimated expenses (include professional fees i.e. adviser, solicitors and structuring fees, regulatory fees and other incidental expenses in relation to the Placement Exercise)	96	96
	9,848	9,848

Share buyback

The Company repurchased its shares of 685,600 from 13 March 2020 to 25 March 2020 at an average purchase price ranging from RM0.220 to RM0.273 per ordinary share. The repurchase transaction was financed by internally generated funds.

B. Pro forma II incorporates effects of Pro forma I and the Proposed Rights Issue with Warrants:

Minimum scenario

The proposed rights issue of 225,189,615 Rights Shares at an exercise price of RM0.36 each and no treasury shares are sold to raise minimum gross proceeds of RM81.068 million.

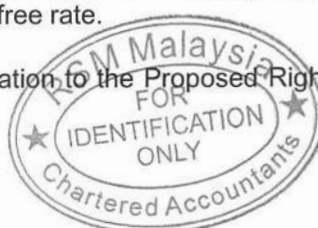
A warrant reserve of RM31.527 million recognised for 225,189,615 free detachable warrant at a fair value of RM0.27 each computed using the Black-Scholes valuation model as extracted from Bloomberg. Black-Scholes is a pricing model used to determine the fair price based on six variables, namely volatility, type of option, underlying stock price, time strike price and risk-free rate.

Maximum scenario

The proposed rights issue of 226,369,915 Right Shares at an exercise price of RM0.36 each and all treasury shares are sold to raise maximum gross proceeds of RM81.493 million.

A warrant reserve of RM31.692 million recognised for 226,369,915 free detachable warrant at a fair value of RM0.27 each computed using the Black-Scholes valuation model as extracted from Bloomberg. Black-Scholes is a pricing model used to determine the fair price based on six variables, namely volatility, type of option, underlying stock price, time strike price and risk-free rate.

The estimated expenses of RM2.5 million in relation to the Proposed Rights Issue will be debited to "Retained earnings" account.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONTINUED)**

2. Pro forma consolidated statements of financial position as at 31 December 2019 (continued)

B. Pro forma II incorporates effects of Pro forma I and the Proposed Rights Issue with Warrants: (continued)

The planned utilisation of proceeds raised from the Proposed Rights Issue with Warrants is as below:

Purpose	Utilisation of proceeds (RM'000)	
	Minimum scenario	Maximum scenario
Repayment of bank borrowings	10,000	10,000
Working capital		
- purchasing of raw materials	57,568	57,993
- utilities payment	11,000	11,000
<i>Sub-total</i>	<i>68,568</i>	<i>68,993</i>
Estimated expenses (in relation to the Proposed Rights Issue with Warrants include professional fees, fees payable to the relevant authorities, underwriting fees, printing cost of circular and abridged prospectus as well as meeting and advertising expenses)	2,500	2,500
	81,068	81,493

The excess or shortfall of actual proceeds, when available, will be utilised as additional working capital for the Group.

C. Pro forma III incorporates effects of Pro forma II and assuming full exercise of all Warrants:

Minimum scenario

The 225,189,615 Warrants exercised are fully converted into 225,189,615 new Shares at an exercise price of RM0.36 each based on the assumption that 1 Warrant for every 1 Rights Share subscribed at an entitlement date to be determined later.

Maximum scenario

The 226,369,915 Warrants exercised are fully converted into 226,369,915 new Shares at an exercise price of RM0.36 each based on the assumption that 1 Warrant for every 1 Rights Share subscribed at an entitlement date to be determined later.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONTINUED)**

3. Movement in cash and bank balances

	Minimum scenario RM'000	Maximum scenario RM'000
Audited balance at 31 December 2019	35,403	35,403
Effects of Pro forma I		
- completion of Placement Exercise	5,683	5,683
- less: share buyback	(166)	(166)
Pro forma I	40,920	40,920
Effects of Pro forma II		
- share resold	-	1,490
- issuance of new Shares via Proposed Rights Issue	81,068	81,493
- less: estimated expenses [#]	(2,500)	(2,500)
- less: repayment of bank borrowings	(10,000)	(10,000)
Pro forma II	109,488	111,403
Effects of Pro forma III		
- issuance of new Shares via Warrants	81,068	81,493
Pro forma III	190,556	192,896

[#] The estimated expenses in relation to the Proposed Rights Issue with Warrants include professional fees, fees payable to the relevant authorities, underwriting fees, printing cost of circular and abridged prospectus as well as meeting and advertising expenses.

4. Movement in share capital

	Minimum scenario RM'000	Maximum scenario RM'000
Audited balance at 31 December 2019	233,310	233,310
Effects of Pro forma I		
- completion of Placement Exercise	5,683	5,683
- conversion of share subscription money	950	950
Pro forma I	239,943	239,943
Effects of Pro forma II		
- issuance of new Shares via Proposed Rights Issue	81,068	81,493
Pro forma II	321,011	321,436
Effects of Pro forma III		
- issuance of new Shares via Warrants	81,068	81,493
Pro forma III	402,079	402,929



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONTINUED)**

5. Movement in subscription money received

	Minimum scenario RM'000	Maximum scenario RM'000
Audited balance at 31 December 2019	950	950
Effects of Pro forma I		
- conversion of share subscription money	(950)	(950)
Pro forma I and Pro forma II and Pro forma III	<u>-</u>	<u>-</u>

6. Movement in warrant reserves

	Minimum scenario RM'000	Maximum scenario RM'000
Audited balance at 31 December 2019/Pro forma I	-	-
Effects of Pro forma II		
- recognition of free warrant with Proposed Rights Issue	31,527	31,692
Pro forma II	31,527	31,692
Effects of Pro forma III		
- exercise of warrant into new Shares	(31,527)	(31,692)
Pro forma III	<u>-</u>	<u>-</u>

7. Movement in treasury shares

	Minimum scenario RM'000	Maximum scenario RM'000
Audited balance at 31 December 2019	(1,324)	(1,324)
Effects of Pro forma I		
- share buyback	(166)	(166)
Pro forma I	(1,490)	(1,490)
Effects of Pro forma II		
- share resold	-	1,490
Pro forma II and Pro forma III	<u>(1,490)</u>	<u>-</u>



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(CONTINUED)**

8. Movement in retained earnings

	Minimum scenario RM'000	Maximum scenario RM'000
Audited balance at 31 December 2019/Pro forma I	420,397	420,397
Effects of Pro forma II		
- recognition of free warrant with Proposed Rights Issue	(31,527)	(31,692)
- less: estimated expenses [#]	(2,500)	(2,500)
Pro forma II	386,370	386,205
Effects of Pro forma III		
- exercise of warrant into new Shares	31,527	31,692
Pro forma III	417,897	417,897

[#] The estimated expenses in relation to the Proposed Rights Issue with Warrants include professional fees, fees payable to the relevant authorities, underwriting fees, printing cost of circular and abridged prospectus as well as meeting and advertising expenses.

9. Movement in borrowings

	Minimum scenario RM'000	Maximum scenario RM'000
Audited balance at 31 December 2019/Pro forma I	331,753	331,753
Effects of Pro forma II		
- repayment of bank borrowings	(10,000)	(10,000)
Pro forma II and Pro forma III	321,753	321,753



IMR REPORT

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)
 15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
 T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 4 February 2021

The Board of Directors

Malaysia Steel Works (KL) Bhd

Unit B-05-3A, 5th floor

Block B (West Wing)

PJ8 Office Suite

No. 23, Jalan Barat

Seksyen 8

46050 Petaling Jaya

Selangor Darul Ehsan

Dear Sirs/Madams,

Independent Market Research Report on the Steel Industry in Malaysia ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Circular to Shareholders of Malaysia Steel Works (KL) Bhd in relation to the Proposed Rights Issue with Warrants to be undertaken by Malaysia Steel Works (KL) Bhd.

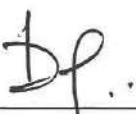
The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Malaysia Steel Works (KL) Bhd and its subsidiaries ("Masteel Group") operate and to offer a clear understanding of the industry and market dynamics. As Masteel Group is principally involved in the manufacturing of long steel products including steel billets and steel bars, the scope of work for this IMR Report will thus address the following areas:

- (i) The introduction to the steel industry; and
- (ii) The outlook and prospects of the steel industry in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to vote for or against any resolutions in relation to the Proposed Rights Issue with Warrants.

For and on behalf of SMITH ZANDER:



 DENNIS TAN
 MANAGING PARTNER

SMITH ZANDER

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The research for this IMR Report was completed on 20 January 2021.

For further information, please contact:

SMITH ZANDER INTERNATIONAL SDN BHD

15-01, Level 15, Menara MBBM

1, Jalan Syed Putra

58000 Kuala Lumpur

Malaysia

Tel: + 603 2732 7537

www.smith-zander.com

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1 INTRODUCTION TO THE STEEL INDUSTRY

Definitions and Segmentation

Steel is an alloy primarily comprising iron and small volumes of carbon which act as a hardening agent. Steel is a key pillar and driver of the global economy, employing workers directly in steel production, and indirectly in downstream and supporting industries such as construction, transportation, energy and mining, machinery and equipment, agriculture as well as furniture and appliances.

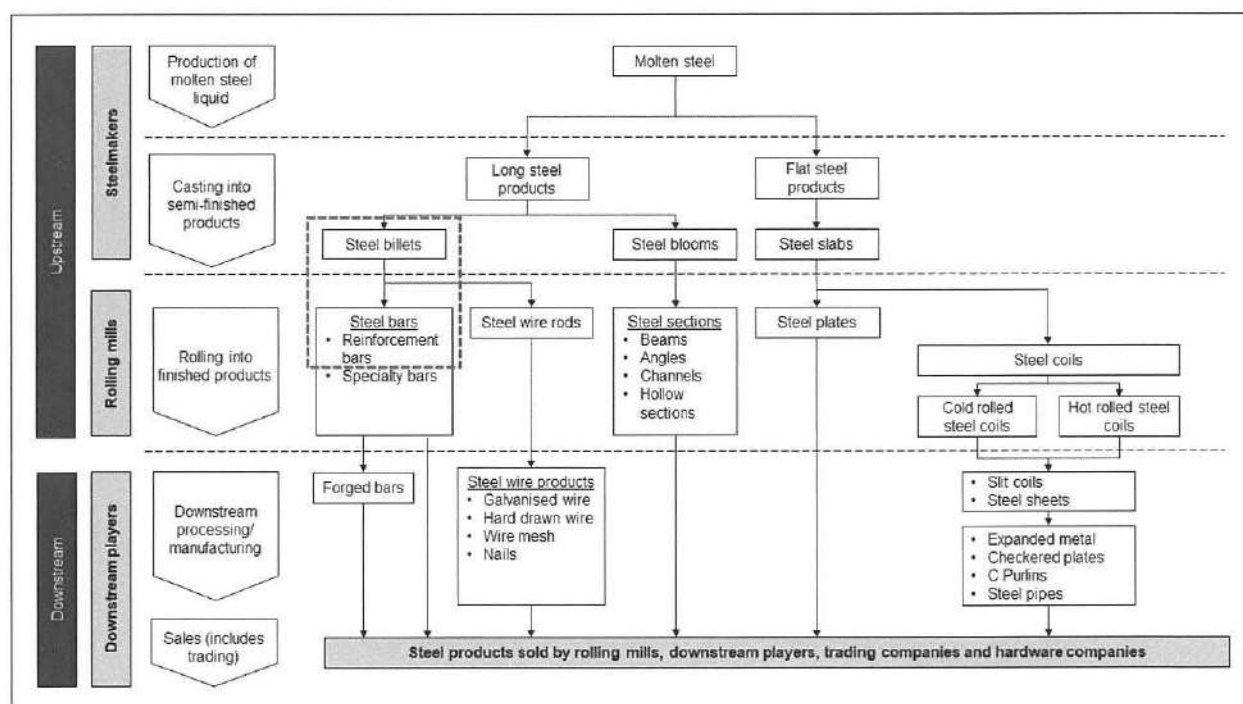
Steel is a vital multi-purpose raw material which finds its use ranging from ordinary household consumer goods such as cutlery, food cans and cars to major industrial equipment such as building steel structures and power plant turbines.

The steel industry can be segmented into 2 key processes:

- Upstream process: where the raw material is melted and casted into semi-finished products such as steel billets, steel blooms and steel slabs by steelmakers and subsequently rolled into finished products such as steel bars, steel wire rods, steel sections, steel plates and steel coils by rolling mills.
- Downstream process: involves manufacturing end-user products such as forged bars, steel wire products, steel sheets and steel pipes by downstream players.

The finished products and end-user products are sold and distributed by rolling mills, downstream players, trading companies and hardware companies.

Segmentation of the steel industry



Notes:

- The examples listed are not exhaustive.
- denotes key products manufactured by Masteel Group.

Source: SMITH ZANDER

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Generally, steel products can be grouped into 2 categories, namely long steel products and flat steel products, depending on the shapes of the steel products. As Masteel Group is primarily involved in the manufacturing of long steel products including steel billets and steel bars in the upstream process, the following discussion will thus focus on the semi-finished and finished long steel products.

Upstream production and casting into semi-finished long steel products, such as steel billets and steel blooms

Upstream players in the steel industry include steelmakers and rolling mills. Steelmakers melt raw materials such as iron ore, coke, limestone and/or steel scrap to produce molten steel before casting into semi-finished products, such as steel billets and steel blooms.

- Steel billets are produced by casting molten steel into a square cross section of long semi-finished steel products generally with a cross-sectional size of up to approximately 160 millimetre ("mm") x 160mm.
- Steel blooms are similar to steel billets generally with a cross-sectional size of above approximately 160mm x 160mm.

Upstream rolling into finished long steel products, such as steel bars, steel wire rods and steel sections

Rolling mills purchase or manufacture semi-finished steel products such as steel billets and steel blooms, and further roll them into finished steel products, such as steel bars, steel wire rods and steel sections.

- Steel bars are produced by rolling steel billets into long rods with different cross-sectional shapes. Steel bars can be sold to downstream players for further processing and/or manufacturing into forged bars, or can be sold to end-user customers such as construction players to be used as reinforcement materials for building walls and pillars.
- Steel wire rods are produced by rolling steel billets into thin wire and winding them in a coil state. Steel wire products such as galvanised wire, hard drawn wire, wire mesh and nails, are made from steel wire rods.
- Steel sections are a form of finished steel products which are produced through rolling of steel blooms into long profile with specific cross sections, such as 'C' shape, 'I' shape, 'H' shape, 'L' shape, 'T' shape, 'U' shape and hollow sections. Sections are sold to end-user customers such as construction players to be used as structural reinforcement materials for buildings.

Impact of the COVID-19 pandemic

Since early 2020, the outbreak of the COVID-19 virus has impacted many countries around the world. COVID-19 is an infectious disease which is highly contagious, with symptoms such as fever, dry cough, fatigue and shortness of breath. On 30 January 2020, the World Health Organization ("WHO") declared a public health emergency of international concern on COVID-19, and subsequently on 11 March 2020, the WHO made the assessment that COVID-19 can be characterised as a pandemic due to the alarming levels of spread and severity and levels of inaction. As at 20 January 2021, the COVID-19 pandemic has affected 223 countries, areas or territories, infecting more than 94 million persons and causing more than 2 million deaths across the world.

To curb the spread of COVID-19 virus, many countries have closed their country borders as well as imposed nationwide lockdowns and operating restrictions/prohibitions in certain economic sectors. As the steel industry is mainly driven by the growth of the construction sector due to the widespread use of steel in construction activities, the temporary disruption of construction activities during the COVID-19 pandemic both in Malaysia and in countries around the world has negatively affected the growth of the construction sector, which in tandem has temporarily dampened the demand for steel products in Malaysia as well as in other countries.

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2 OUTLOOK AND PROSPECTS OF THE STEEL INDUSTRY IN MALAYSIA

Industry Performance and Outlook

Masteel Group is primarily involved in the manufacturing of long steel products including steel billets and steel bars in the upstream process. As a majority of Masteel Group's revenue is derived in Malaysia, this section will focus on the following:

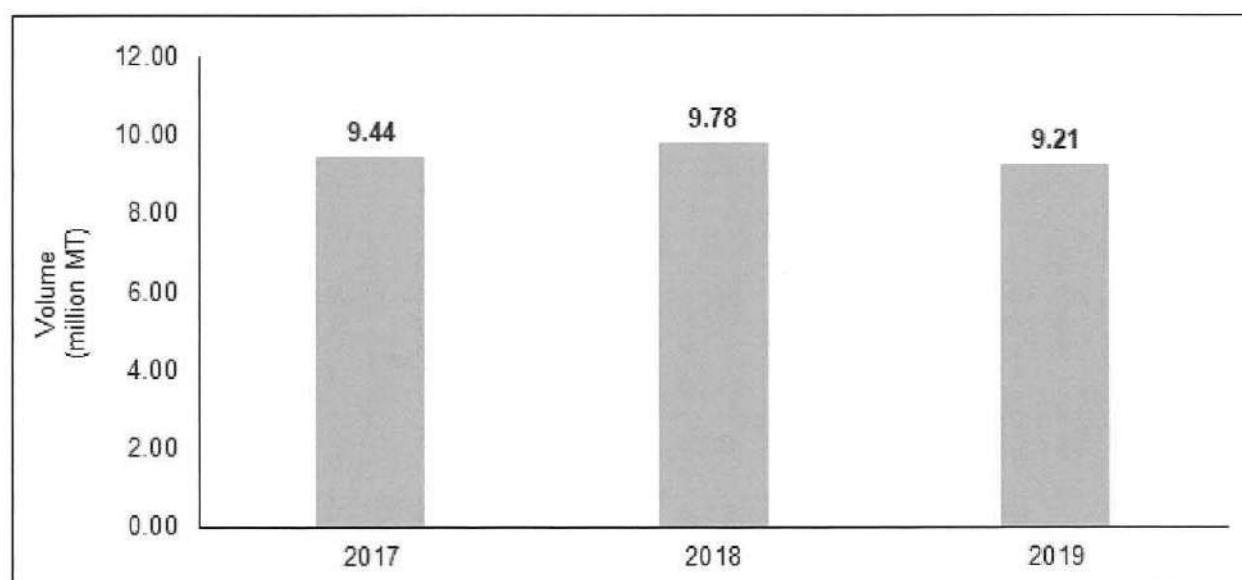
- Overall demand for steel in Malaysia, represented by the apparent consumption of total steel products in Malaysia;
- Demand for steel billets in Malaysia, represented by the apparent consumption of steel billets in Malaysia; and
- Demand for steel bars in Malaysia, represented by the apparent consumption of steel bars in Malaysia.

Apparent consumption is used to represent domestic demand of a product which is calculated by the sum of production value and import value minus export value. The industry performance and outlook of these steel products in Malaysia are described as follows:

► Steel industry in Malaysia

Overall demand for steel in Malaysia, represented by the apparent consumption of total steel products, recorded a negative Compound Annual Growth Rate ("CAGR") of 1.23% from 9.44 million metric tonnes ("MT") in 2017 to 9.21 million MT in 2019. The decrease in apparent consumption of total steel products in Malaysia in 2019 may be mainly due to a lower year-on-year ("YOY") growth in the construction sector in Malaysia. In 2019, the value of construction work done in Malaysia experienced a relatively low YOY growth of 0.56% as compared to a YOY growth of 5.13% in 2018.

Apparent consumption of total steel products (Malaysia), 2017 – 2019



Source: South East Asia Iron and Steel Institute ("SEAISI")

In view of the outbreak of the COVID-19 virus since early 2020, the Government of Malaysia ("the Government") has imposed nationwide movement restrictions to contain the spread of the virus, namely movement control order ("MCO") from 18 March 2020 to 3 May 2020, conditional MCO from 4 May 2020 to 9 June 2020, and

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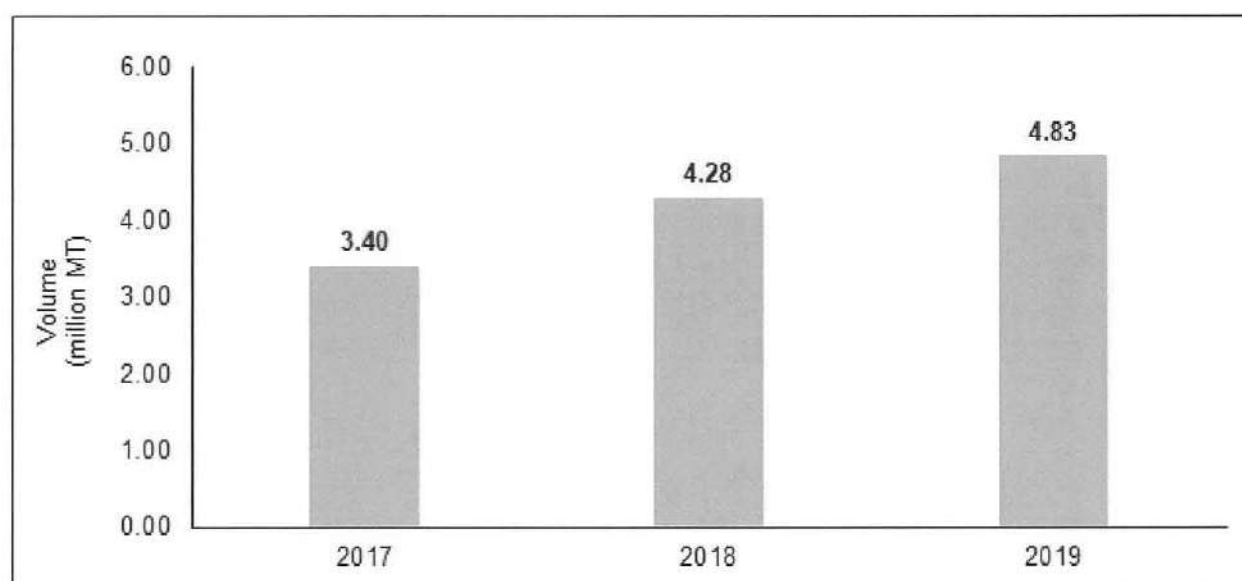
recovery MCO from 10 June 2020 to 31 March 2021. However, following the resurgence of the COVID-19 infected cases, MCO and conditional MCO have been re-imposed in most of the states and federal territories for different durations since the last quarter of 2020. The imposition of these nationwide movement restrictions has negatively affected many businesses, including businesses in the steel industry. During the first MCO period, most businesses were forced to temporarily close their operations except for those deemed essential services or unless they received approval from the relevant government authorities to operate, and even so, under a set of strict standard operating procedures and/or at reduced capacity. As the steel industry is mainly driven by the growth of the construction sector due to the widespread use of steel in construction activities, the temporary disruption of construction activities during the nationwide movement restriction periods has adversely affected the demand for steel.

Due to the uncertain economic conditions resulting from the COVID-19 pandemic, SEAISI estimates the overall demand for steel in Malaysia to have fallen by 8.00% to 8.47 million MT in 2020. Nevertheless, in view of the anticipated recovery of the steel industry underpinned by the demand drivers outlined in the **Demand Conditions – Key Demand Drivers in Chapter 2 – Outlook and Prospects of the Steel Industry in Malaysia** of this IMR Report, SMITH ZANDER forecasts the overall demand for steel in Malaysia to grow by 5.79% from 8.47 million MT in 2020 to 8.96 million MT in 2021.

► Steel billet market in Malaysia

Demand for steel billets in Malaysia, represented by the apparent consumption of steel billets, increased from 3.40 million MT in 2017 to 4.83 million MT in 2019 at a CAGR of 19.19%.

Apparent consumption of steel billets (Malaysia), 2017 – 2019



Note:

- The apparent consumption in 2019 includes total apparent consumption of steel billets and steel blooms as the breakdown is not publicly available.

Source: SEAISI

In view of the COVID-19 pandemic and the nationwide movement restrictions imposed by the Government which has caused disruptions to many economic sectors and affected the demand for steel products, SMITH ZANDER estimates the demand for steel billets, based on the apparent consumption of steel billets, to have declined by 6.21% from 4.83 million MT in 2019 to 4.53 million MT in 2020. Nevertheless, as the steel billet

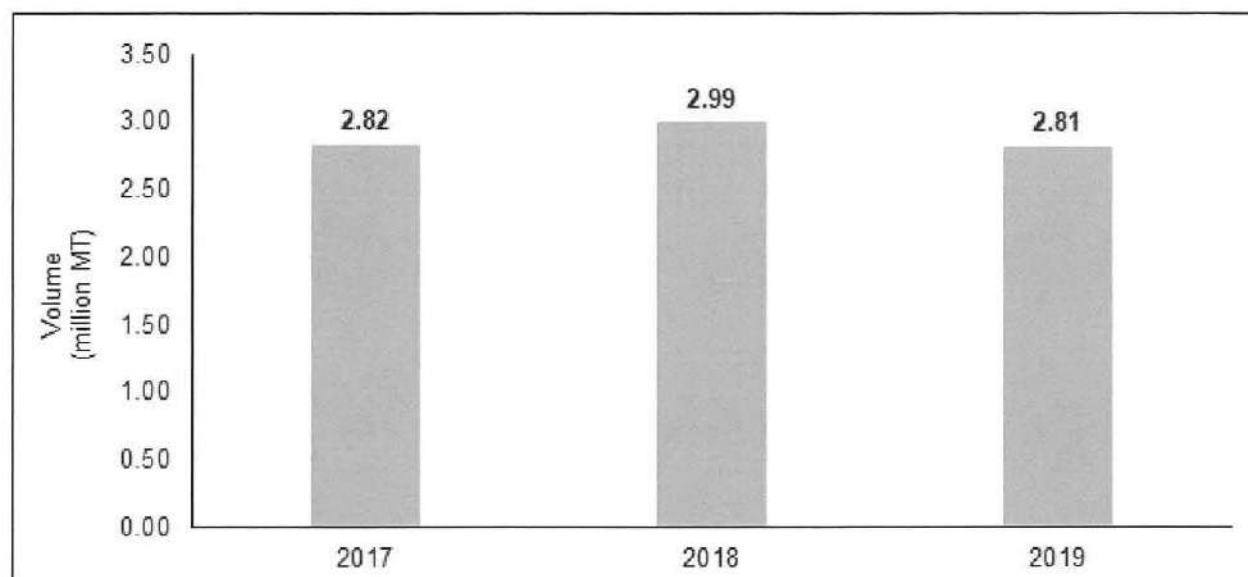
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market is expected to recover underpinned by the demand drivers outlined in the **Demand Conditions – Key Demand Drivers in Chapter 2 – Outlook and Prospects of the Steel Industry in Malaysia** of this IMR Report, SMITH ZANDER forecasts the demand for steel billets to increase by 5.08% from 4.53 million MT in 2020 to 4.76 million MT in 2021.

► Steel bar market in Malaysia

Demand for steel bars in Malaysia, represented by the apparent consumption of steel bars, decreased from 2.82 million MT in 2017 to 2.81 million MT in 2019 at a negative CAGR of 0.18%. A decrease in apparent consumption of steel bars in Malaysia may be due to a lower YOY growth in the country's construction activities as well as an increase in exports of steel bars in 2019. The exports of steel bars increased by 256.77% from 90,870 MT in 2018 to 324,197 MT in 2019.

Apparent consumption of steel bars (Malaysia), 2017 – 2019



Source: SEAISI

In view of the negative impact on most businesses as a result of the COVID-19 pandemic and the nationwide movement restrictions imposed by the Government, SMITH ZANDER estimates the demand for steel bars, based on the apparent consumption of steel bars, to have declined by 6.41% from 2.81 million MT in 2019 to 2.63 million MT in 2020. Nevertheless, in view of the anticipated recovery of the steel bar market underpinned by the demand drivers outlined in the **Demand Conditions – Key Demand Drivers in Chapter 2 – Outlook and Prospects of the Steel Industry in Malaysia** of this IMR Report, SMITH ZANDER forecasts the demand for steel bars to grow by 4.94% from 2.63 million MT in 2020 to 2.76 million MT in 2021.

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Demand Conditions – Key Demand Drivers

► Plans and policies by the Government to promote infrastructure development will drive the demand for steel products

Infrastructure development is the construction of foundational services that can help to improve efficiency and productivity, enhance social welfare and the people's standard of living as well as stimulate economic growth of a country. As steel products such as steel bars are essential building materials for the construction of infrastructure, the outlook of Malaysia's steel industry is expected to benefit from the Government's persistent drive to develop and upgrade its infrastructure.

In 2019, the Government announced the revival of several major infrastructure projects including the Light Rail Transit Line 3 (LRT 3), East Coast Rail Link ("ECRL"), as well as the Bandar Malaysia mixed development project, which were previously suspended. However, pursuant to the imposition of nationwide movement restrictions by the Government as a result of the COVID-19 pandemic, the construction sector has experienced disruptions in the supply chain of building materials, reduction in size of construction workforce or a temporary halt of construction works, amongst others, leading to disruptions and delays in construction of infrastructure projects. Such disruptions have temporarily dampened construction activities which have consequently lowered the demand for steel products.

Nevertheless, as part of the economic stimulus package known as PRIHATIN Rakyat Economic Stimulus Package announced by the Government on 27 March 2020, several mega infrastructure projects such as Mass Rapid Transit Line 2 (MRT 2) and ECRL will be continued, which is expected to ensure sustainable economic growth of the country as well as to cushion the negative economic impact caused by the COVID-19 pandemic. Further, under Budget 2021, the Government proposed to allocate RM15.00 billion to fund several infrastructure development projects including the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double Tracking Project and Klang Valley Double Tracking Project; RM2.70 billion to fund rural infrastructure development projects including rural and inter-village road projects spanning 920 kilometres, building and repairing of 15,000 houses, and installation of 27,000 units of lamps; and RM2.50 billion for contractors in Class G1 to G4 to carry out small and medium construction projects across the country including additional RM200.00 million for maintenance projects for Federal Roads and RM50.00 million for People's Housing Programme (PPR) houses. In addition, the Government has also announced projects revival of Rapid Transit System Link from Johor Bahru to Woodlands, Singapore, and Mass Rapid Transit Line 3 (MRT 3) in Klang Valley. As the construction works for these projects progress, the demand for steel products will improve to support the construction works required.

The Government's continuous efforts in promoting infrastructure development in the country will continue to drive the demand for steel products which are essential to support construction activities undertaken for the infrastructure development projects.

► Overall growth in the construction sector will drive the demand for steel products

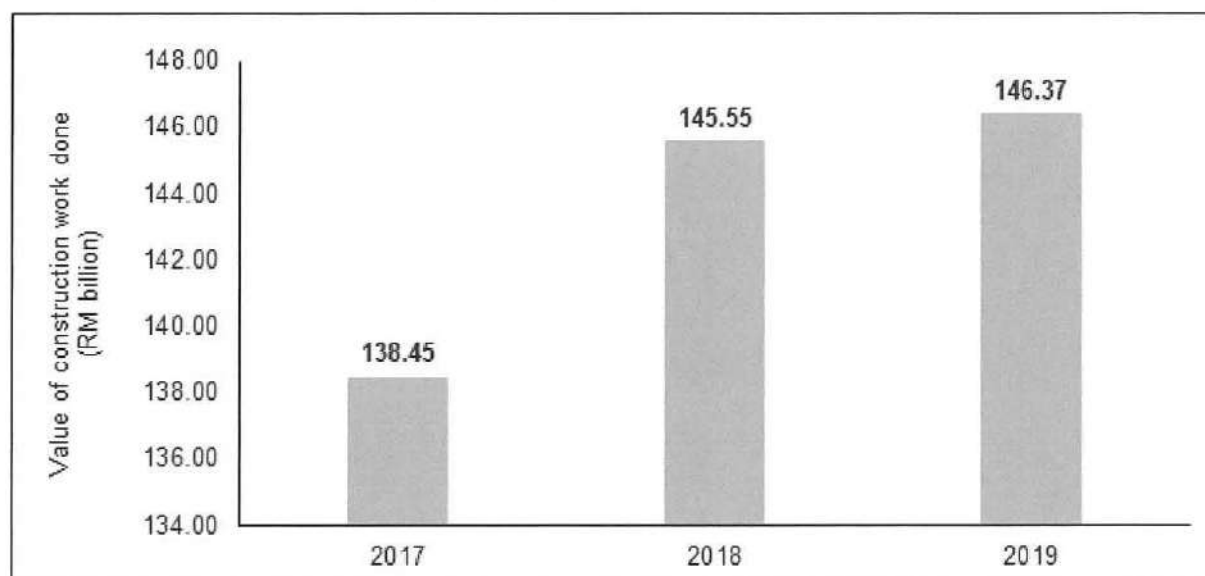
Apart from infrastructure development, the demand for steel is also driven by construction activities undertaken to construct residential, commercial and industrial properties.

Construction activities are largely economic-driven, whereby economic growth may contribute to increased disposable income among the population arising from higher employment, and increased earnings for businesses and companies due to greater operating scale and wider market reach. Consequently, this leads to increased demand for residential, commercial and industrial properties as well as supporting infrastructure, which in turn leads to higher demand for steel products.

The performance of the construction sector in Malaysia as measured by the value of construction work done, recorded a CAGR of 2.82% from RM138.45 billion in 2017 to RM146.37 billion in 2019, demonstrating growing demand for construction works for residential homes and to support business activities.

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Value of construction work done (Malaysia), 2017 – 2019



Source: Department of Statistics Malaysia

However, in view of the COVID-19 pandemic, Bank Negara Malaysia has revised the gross domestic product ("GDP") projected growth in 2020, which was initially targeted at 4.80%, to the range of -3.50% to -5.50%, indicating potential adverse economic conditions for the year. This has reduced consumer purchasing power and consumers may be more prudent on making investment decisions, especially investing in high value assets such as properties, in view of anticipated adverse economic impact of the COVID-19 pandemic. Therefore, this has negatively impacted the demand for properties and in turn lowered the demand for construction services. Following this, the demand for steel products including steel billets and steel bars has declined as well. SMITH ZANDER estimates Malaysia's value of construction work done to have decreased by 18.38% to RM119.47 billion in 2020.

Nevertheless, in view of the anticipated rebound of the construction sector in 2021, SMITH ZANDER forecasts Malaysia's value of construction work done to increase by 7.25% from RM119.47 billion in 2020 to RM128.13 billion in 2021. To stimulate the property market and provide financial relief to home-buyers, the Government has introduced several initiatives through the Pelan Jana Semula Ekonomi Negara (PENJANA) Short-Term Economic Recovery Plan (June-December 2020). One of the initiatives is to reintroduce the Home Ownership Campaign ("HOC") whereby stamp duties are exempted on the instruments of transfer and loan agreement for residential properties purchased at a price between RM300,000 and RM2.50 million; of which the properties are also subject to at least 10.00% discounts given by the developer.¹ In addition, the 70.00% margin of financing limit applicable for a home-buyer's third housing loan onwards for properties priced RM600,000 and above has also been uplifted during the period of the HOC, subject to the respective internal risk management practices of financial institutions. Under Budget 2021, the Government proposed to further extend the full stamp duty exemptions on the instruments of transfer and loan agreement for the first residential property purchased by each Malaysian home-buyer to 31 December 2025, with property price limit increased from RM300,000 to RM500,000.

¹ The exemption on the stamp duty of instruments of transfer is limited to the first RM1.00 million of the home price while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between 1 June 2020 and 31 May 2021.

SMITH ZANDER

Moving forward, with these initiatives in place, consumers will be encouraged to purchase residential properties which may thus drive the demand for residential properties. This may in turn support the demand for construction activities and may spur the demand for steel products in the longer term. Further, as Malaysian economy recovers after the impact of the COVID-19 pandemic subsides, the construction sector may revive and will then drive the recovery and future growth of the steel industry in Malaysia.

In view of the Government's effort to combat the economic impact of the COVID-19 pandemic through the introduction of several stimulus packages to assist households and businesses, the Malaysian economy is expected to gradually recover in 2021 with a GDP growth between 6.50% and 7.50%, based on the latest forecast by the Ministry of Finance Malaysia. Further, according to the Economic Outlook 2021 published by the Ministry of Finance Malaysia, the construction sector is expected to rebound by 13.90% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. Premised on the above, moving forward, the steel industry is expected to recover alongside the improving performance of the Malaysian economy and construction sector, and is expected to continue to grow once the impact of the COVID-19 pandemic subsides.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENTS AND DECLARATIONS

Consents

M&A Securities, being the Principal Adviser has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

RSM Malaysia, being the Reporting Accountants has given and has not subsequently withdrawn its written consent to the inclusion of its name and letter on the pro forma consolidated statement of financial position of the Masteel Group as at 31 December 2019 in relation to the Proposed Rights Issue with Warrants and all reference thereto, in the form and context in which they appear in this Circular.

Smith Zander, being the IMR has given and has not subsequently withdrawn its written consent to the inclusion of its name and the IMR Report and all references thereto in the form and context in which they appear in this Circular.

Conflict of interests

M&A Securities, RSM Malaysia and Smith Zander have given their confirmations that no conflict of interest exist or is likely to exist in relation to their roles as the Principal Adviser, Reporting Accountants and IMR for the Proposed Rights Issue with Warrants, respectively.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below and as at LPD, to the best knowledge of our Board, neither Masteel nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board has no knowledge of any proceedings pending or threatened against Masteel and its subsidiaries or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of Masteel Group:

Shah Alam High Court Suit No. BA-22NCC-82-07/2019 Safety Capital Sdn Bhd ("Safety Capital") vs Masteel

Masteel has been served with a Writ of Summons dated 17 July 2019 and Statement of Claim dated 12 June 2019 by Safety Capital. Safety Capital is seeking for, inter alia, the payment of RM10.681 million by Masteel ("**Claimed Sum**"), together with interest and cost, which is in relation to alleged advances made by Safety Capital to Masteel between the year 2002 to 2004.

The claim by Safety Capital is premised on the allegation (which is denied) that certain sums of money were fraudulently transferred from Safety Capital to Masteel between 2002 and 2004 and that whilst some of the sums were repaid, the Claimed Sum remains outstanding.

On 11 August 2020, Masteel has taken out an application to strike-out Safety Capital's claim. Such application has been dismissed by the court and this matter is scheduled for trial on 16 August 2021 to 18 August 2021.

The Board has been advised by its solicitor that Masteel has a strong case to dismiss this claim. As this claim is non-trading in nature, the Board is of the view that this claim will not have any material financial and operational impact on Masteel Group.

4. MATERIAL COMMITMENT

As at LPD, the Board is not aware of any material capital commitment, incurred or known to be incurred by Masteel Group, which upon becoming due or enforceable, may have a material impact on the financial position or business of the Masteel Group.

5. CONTINGENT LIABILITIES

As at LPD, the Board is not aware of any contingent liabilities, incurred or known to be incurred by Masteel Group, which upon becoming enforceable, may have a material impact on the financial position or business of the Masteel Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No.23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan during normal business hours (except public holidays) from the date of this Circular up to and including the date of the EGM:

- (i) Constitution;
- (ii) Audited consolidated financial statements of Masteel for FYE 2018 and FYE 2019 and the unaudited quarterly report on consolidated results for the financial period ended 30 September 2020;
- (iii) IMR Report as set out in **Appendix II** of this Circular;
- (iv) Letters of consent and declarations as referred to in Section 2 of this Appendix;
- (v) Letter[s] of Undertaking;
- (vi) Draft Deed Poll;
- (vii) Pro forma consolidated statement of financial position of Masteel Group as at 31 December 2019 together with the Reporting Accountants' report thereon, as set out in **Appendix I** of this Circular; and
- (viii) Relevant cause paper in respect of the material litigation as referred to in Section 3 of this Appendix.

DETAILS OF PROPOSED AMENDMENTS

The Constitution of the Company shall be amended in the following manner:-

1. By amending Clause 7 of the Constitution by including/amending definition of words as follows:-

Existing Provisions		Proposed Amendments	
		Broadcast Venue	A physical venue in Malaysia where the Chairman of the general meeting is physically present. The essential individuals may also be present at the broadcast venue to facilitate the conduct of a fully virtual general meeting.
Bursa Depository	Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) including any further change of name.	Bursa Depository	Bursa Malaysia Depository Sdn. Bhd. including any further change of name.
Company	MALAYSIA STEEL WORKS (KL) BHD (Company No. 7878-V).	Company	MALAYSIA STEEL WORKS (KL) BHD
Exchange	Bursa Malaysia Securities Berhad (Company No. 635998-W) and / or any other Exchange on which the Company is listed.	Exchange	Bursa Malaysia Securities Berhad and / or any other Exchange on which the Company is listed.

2. By amending Clause 9 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
9. Subject to the Act and this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors, subject to any <u>special resolution</u> of the Company, may determine.	9. Subject to the Act and this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

3. By amending Clause 10 (d) of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
(d) without limiting the generality of Sections 75 and 76 of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares if those shares or securities, when aggregated with any such shares or securities which the Company has issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury	(d) <i>subject to Listing Requirements and without limiting the generality of Sections 75 and 76 of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the</i>

Existing Provisions	Proposed Amendments
shares) of the Company, except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the issue; and	<i>issue; and</i>

4. By amending Clause 54 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
54. The Company may by <u>special resolution</u> passed at a general meeting convert any paid-up shares into stock or reconvert any stock into paid-up shares of any number.	54. The Company may by <i>ordinary resolution</i> passed at a general meeting convert any paid-up shares into stock or reconvert any stock into paid-up shares of any number.

5. By amending Clause 58 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
58. The Company may from time to time, by <u>special resolution</u> increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special, limited or conditional voting rights for the time being attached to any existing class of shares) to carry such preferential rights or to be subjected to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may, by the resolution authorising such increase, directs.	58. The Company may from time to time, by <i>ordinary resolution</i> increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special, limited or conditional voting rights for the time being attached to any existing class of shares) to carry such preferential rights or to be subjected to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may, by the resolution authorising such increase, directs.

6. By amending Clause 61 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
61. The Company may by <u>special resolution</u> :- (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe; or (b) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or (c) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or	61. The Company may by <i>ordinary resolution</i> :- (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe; or (b) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or (c) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or

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Existing Provisions	Proposed Amendments
<p>(d) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or</p> <p>(e) cancel any shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.</p>	<p>(d) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or</p> <p>(e) cancel any shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.</p>

7. By amending Clause 64 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
<p>64. An annual general meeting of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meeting shall be called extraordinary general meetings. All general meetings shall be held at such time, date and place as the Directors shall determine. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for passing a special resolution shall state the intention to propose such resolution as a special resolution.</p> <p>Such meeting of its members may be held at more than one venue using any technology or method that allows all members of the Company to participate and to exercise the members' rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue of the meeting.</p>	<p>64. An annual general meeting of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meeting shall be called extraordinary general meetings. All general meetings shall be held at such time, date and place as the Directors shall determine. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for passing a special resolution shall state the intention to propose such resolution as a special resolution.</p> <p>Such meeting of its members may be held at more than one venue using any technology or method that allows all members of the Company to participate and to exercise the members' rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue or <i>broadcast venue (the only venue involved in the conduct of a virtual general meeting) of the meeting held in Malaysia, whichever is applicable.</i></p>

8. By inserting the following new Clauses 64A and 64B after the existing Clause 64:-

Existing Provisions	Proposed Amendments
New	<p>64A. (a) If authorised by the Board in its sole discretion, and subject to such guidelines and procedures as the Board may adopt, the members not physically present at a general meeting where the Chairman of the general meeting is physically present, may, by means of remote communication:-</p> <p>(i) participate in such general meeting; and</p> <p>(ii) be deemed present in person at such general meeting, be counted in the quorum and be entitled to vote at such general meeting.</p> <p>(b) That the general meeting shall be duly constituted and its proceedings shall be valid if the Chairman of the general meeting is satisfied that adequate facilities are available throughout the general meeting to ensure that members participating in the general meeting through remote communication are able:-</p> <p>(i) to participate in the matters for which such general meeting has been convened;</p> <p>(ii) to communicate (whether by use of microphones, loudspeakers, audio-visual communication equipment, typed texts or any form of electronic means which allows the members to raise any questions and/or express their views on the matters); and</p> <p>(iii) to vote on matters submitted to the members.</p> <p>(c) The Chairman of the general meeting shall be physically be present at the main venue or</p>

Existing Provisions	Proposed Amendments
	<p><i>broadcast venue of the general meeting which shall be designated in Malaysia.</i></p> <p>64B. If it appears to the Chairman of the general meeting that:-</p> <p><i>(a) the facilities at the main venue or broadcast venue; or</i></p> <p><i>(b) the means used for the remote communication;</i></p> <p><i>have become inadequate for the purposes referred to in Clause 64A, then the Chairman of the general meeting shall, without the consent of the members at the general meeting, interrupt or adjourn the general meeting. All businesses as conducted at that general meeting up to the adjournment shall be valid.</i></p> <p><i>The provisions of Clause 75 shall apply to that adjournment. No interruption or termination of any remote communication or the inability of a member to participate in a general meeting by way of remote communication shall invalidate any general meeting held using such remote communications or any such general meeting.</i></p> <p><i>The Board may request the members, proxies or representatives wanting to attend a general meeting to comply with security procedures which the Board deem appropriate. The Board may, at their discretion, refuse entry to, or remove from, a general meeting, a member, proxy or representative who does not comply with the security procedures. Security procedures may include member, proxy or representative not being allowed into a general meeting with recording or broadcasting devices or an article which the Chairman of the general meeting considers as to be dangerous, offensive, or liable to cause disruption.</i></p>

9. By inserting the following new Clause 65A after the existing Clause 65:-

Existing Provisions	Proposed Amendments
New	<p>65A. (1) Subject to the Act, where a general meeting convened by the Board, they may, in its absolute discretion, cancel the general meeting or postpone the holding of the general meeting to a date and time determined by them or change the place for the meeting. The cancellation or postponement of a general meeting is subject to the Listing Requirements and other requirements by the Exchange.</p> <p><i>This Clause shall not apply to a meeting convened in accordance with Sections 310 and 311 of the Act by a member or members unless with the consent of such member or members only.</i></p> <p>(2) Notice of cancellation or postponement or change of place of a general meeting must state the reason for cancellation or postponement and such a notice shall be:</p> <p>(a) published in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper;</p> <p>(b) given to the Exchange and given in other manner required by the Listing Requirements or other requirements by the Exchange, and</p> <p>(c) subject to the Act and the Listing Requirements, given in any other manner determined by the Board.</p> <p>(3) A notice of postponement of a general meeting must specify:</p> <p>(a) the postponed date and time for the holding of the meeting;</p>

Existing Provisions	Proposed Amendments
	<p><i>(b) a place for the holding of the meeting which may be either the same as or different from the place specified in the notice convening the meeting; and</i></p> <p><i>(c) if the general meeting is to be held in two (2) or more places, the technology that will be used to facilitate the holding of the meeting in that manner.</i></p> <p><i>The new time and place specified in the notice of postponement will be taken to be the time and place for the meeting as if specified in the notice which called the meeting originally.</i></p> <p><i>(4)The only business that may be transacted at a meeting of members the holding of which is postponed is the business specified in the original notice convening the meeting.</i></p> <p><i>(5)Where by the terms of an instrument appointing a proxy or attorney or an appointment of a representative:</i></p> <p><i>(a) the appointed person is authorised to attend and vote at a general meeting to be held on or before a specified date; and</i></p> <p><i>(b) the date for holding the meeting is postponed to a date later than the date specified in the instrument of proxy, power of attorney or appointment of representative, then, by force of this Clause, that later date is substituted for and applies to the exclusion of the date specified in the instrument of proxy, power of attorney or appointment of representative. However, this does not apply if the Member appointing the proxy, attorney or representative gives notice in writing to the Company at</i></p>

APPENDIX IV

Existing Provisions	Proposed Amendments
	<p><i>the Office or another address (including electronic address) specified in the notice of meeting to the contrary not less than twenty-four (24) hours before the time to which the holding of the meeting has been postponed.</i></p> <p><i>(6) The non-receipt of notice of cancellation or postponement of a meeting of members by, or the accidental omission to give notice of cancellation or postponement of a meeting of members to, a person entitled to receive notice does not invalidate any resolution passed at a postponed meeting or the cancellation or postponement of a meeting.</i></p> <p><i>(7) A Director is entitled to receive notice of and to attend all general meetings and is entitled to speak at those meetings.</i></p> <p><i>(8) If the Directors are required to convene and arrange to hold a general meeting as a result of a request by members in accordance with Section 311 of the Act, the meeting may be cancelled by the Directors if the members who requisitioned the meeting withdraw their requests prior to the date of the meeting.</i></p>

10. By amending Clause 74 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
<p>74. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as otherwise provided, two (2) members present in person shall be a quorum. For the purposes of constituting a quorum:-</p> <p>(i) one or more representatives appointed by a corporation shall be counted as one member; or</p> <p>(ii) one or more proxies appointed by a person shall be counted as one member.</p>	<p>74. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as otherwise provided, two (2) members present in person or represented by proxy shall be a quorum. For the purposes of constituting a quorum:-</p> <p>(i) one or more representatives appointed by a corporation shall be counted as one member; or</p> <p>(ii) one or more proxies appointed by a person shall be counted as one member.</p>

11. By inserting the following new Clauses 75A after the existing Clause 75:-

Existing Provisions	Proposed Amendments
New	<i>75A. A person requested by the Directors or the Chairman to attend a general meeting, is entitled to be present (and if invited by the Chairman, to speak) at the meeting, irrespective of whether the person is a Member.</i>

12. By amending Clause 89 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
89. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, at which the person named in the instrument proposes to vote, and in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid. The Company may specify a fax number and may specify an electronic address in the notice of meeting, for the purpose of receipt of proxy appointments subject to the Rules, regulations and laws at that time specified therein.	89. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, at which the person named in the instrument proposes to vote, and in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid. The Company may specify a fax number and may specify an electronic address in the notice of meeting, for the purpose of receipt of proxy appointments subject to the Rules, regulations and laws at that time specified therein. <i>A member is not precluded from attending the meeting in person after lodging the instrument of proxy, however, such attendance shall automatically revoke the authority granted to the proxy.</i>

13. By inserting the following new Clause 148A after the existing Clause 148:-

Existing Provisions	Proposed Amendments
New	<i>148A. For the avoidance of doubt, any document or instrument transmitted by any technology purporting to include a signature and / or electronic or digital signature, including but not limited to signing with a platform such as DocuSign, of any of the following persons:</i>

Existing Provisions	Proposed Amendments
	<p><i>(a) a holder of shares;</i></p> <p><i>(b) a Director;</i></p> <p><i>(c) an alternate Director;</i></p> <p><i>(d) in the case of a corporation, which is a holder of shares, its Director or Secretary or a duly appointed attorney or duly authorised representative;</i></p> <p><i>shall in the absence of express evidence to the contrary available to the person relying on such document or instrument at the relevant time, be deemed to be a document or instrument signed by such person in the terms in which it is received.</i></p>

14. By replacing Clause 169 of the Constitution of the Company as follows:-

Existing Provisions	Proposed Amendments
<p>169. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that the sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by those members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed, credited as fully paid-up to and amongst the members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. Subject to the Act, amount standing to the credit of the capital redemption reserve may, for the purposes of this Clause, be applied in paying up of unissued shares to be issued to members as fully paid bonus shares or any other members as set out in the Act.</p>	<p><i>169. The Director may, with the sanction of an ordinary resolution of the Company:-</i></p> <p><i>(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Record of Depositors at the close of business on:</i></p> <p><i>(i) the date of the ordinary resolution (or such other date as may be specified therein or determined as therein provided); or</i></p> <p><i>(ii) such other date as may be determined by the Directors,</i></p> <p><i>in the proportion to their then holdings of shares; and/or</i></p> <p><i>(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register or (as the case may be) in the Record of deposit Depositors at the close of business on:</i></p>

Existing Provisions	Proposed Amendments
	<p><i>(i) the date of the ordinary resolution (or such other date as may be specified therein or determined as therein provided); or</i></p> <p><i>(ii) such other date as may be determined by the Directors,</i></p> <p><i>in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.</i></p> <p><i>The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under this Clause, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.</i></p> <p><i>In addition and without prejudice to the power to capitalise profits and other moneys provided for by this Clause, the Directors shall have the power to issue shares for which no consideration is payable and to capitalise any undistributable profits or other monies of the Company not required for the payment or provision of any dividends on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other monies carried and standing to any reserve or reserves) and to apply such profits or other monies in paying up in full, in each case on terms</i></p>

APPENDIX IV

Existing Provisions	Proposed Amendments
	<i>that such shares shall, upon issue, be held by or for the benefit of participants of any share option scheme or plan implemented by the Company and approved by members in general meeting and on such terms as the Directors shall think fit.</i>

15. By inserting the following new Clause 179(2) after the existing Clause 179:-

Existing Provisions	Proposed Amendments
179. Save as may be provided by the Act, no member shall be entitled to enter into or inspect any premises or property of the Company or to require disclosure of any information in respect of any detail of the Company's trading, manufacturing or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the members to communicate to the public.	<p><u>179(1)</u> Save as may be provided by the Act, no member shall be entitled to enter into or inspect any premises or property of the Company or to require disclosure of any information in respect of any detail of the Company's trading, manufacturing or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the members to communicate to the public.</p> <p><i>(2) Directors or officers of the Company shall be entitled, if he thinks fit, to decline to answer any questions concerning the business of the Company which may be put to him on any occasion (including during any meeting of the Company) on the ground that the answer to such question would disclose or tend to disclose the trade secrets of the Company.</i></p>

Masteel

MALAYSIA STEEL WORKS (KL) BHD

(Registration No. 197101000213 (7878-V))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Malaysia Steel Works (KL) Bhd ("**Masteel**" or the "**Company**") will be held on Tuesday, 23 March 2021 at 3.00 p.m., as a fully virtual meeting via live streaming broadcast from Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia for the purpose of considering and, if thought fit, to pass the following resolutions, with or without modifications:

SPECIAL RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 226,369,915 NEW ORDINARY SHARES IN MALAYSIA STEEL WORKS (KL) BHD ("MASTEEL" OR "COMPANY") ("RIGHTS SHARES") TOGETHER WITH UP TO 226,369,915 FREE DETACHABLE WARRANTS ("WARRANT(S)") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING ORDINARY SHARES HELD IN MASTEEL ("MASTEEL SHARE" OR "SHARES") TOGETHER WITH 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED AT AN ISSUE PRICE AND ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") ON A FULL SUBSCRIPTION BASIS ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

"THAT subject further to all the approvals from relevant authorities being obtained where necessary, approval be and is hereby given for Masteel to undertake the Proposed Rights Issue with Warrants as follows:

- (i) To issue and allot by way of renounceable rights issue of up to 226,369,915 Rights Shares together with up to 226,369,915 free Warrants on the basis of 1 Rights Share for every 2 Masteel Shares held on the Entitlement Date together with 1 Warrant based on the salient terms of which are set out in Section 2.5 of the Circular to Shareholders dated 8 February 2021 ("**Circular**") and upon the terms and conditions of the deed poll to be executed by Masteel ("**Deed Poll**"), for every 1 Rights Share subscribed by the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date on a full subscription basis;
- (ii) To issue and allot up to 226,369,915 of new Masteel Shares arising from the exercise of the Warrants during the tenure of the Warrants;
- (iii) To issue and allot such Warrants as may be required or permitted to be issued as a result of any adjustment under the provisions of the Deed Poll; and
- (iv) To do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation for the Rights Shares and the new Masteel Shares arising from the exercise of the Warrants during the tenure of the Warrants;

THAT any Rights Shares which are not taken up or validly taken up shall be made available for excess applications to the entitled shareholders and/ or their renouncee(s) who have applied for the excess Rights Shares, and are intended to be allocated on a fair and equitable basis;

THAT the final issue price of the Rights Shares and the exercise price of the Warrants shall be at a relevant discount to the market price of Masteel Shares which is deemed attractive to shareholders based on the historical trading price of Masteel Shares and/or the 5-day volume weighted average price of Masteel Shares prior to the price fixing date to be determined;

THAT the Board of Directors of the Company ("**Directors**") be and are hereby authorised to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Directors in their absolute discretion;

THAT the Directors be and are hereby authorised to deal with all or any of the fractional entitlement of the Rights Shares and Warrants arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner as the Directors may in their absolute discretion deem fit and in the best interest of the Company;

THAT all the Rights Shares and the new Masteel Shares to be issued pursuant to the exercise of the Warrants, shall upon issue and allotment, rank equally in all respects with the then existing Masteel Shares except for any entitlements, the entitlement date of which is before the date of allotment of the Rights Shares and the new Masteel Shares to be issued pursuant to the exercise of the Warrants (as the case may be);

THAT the proceeds from the Proposed Rights Issue with Warrants will be utilised for such purposes as set out in Section 2.7 of the Circular and the Directors be authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary or expedient, subject to (where applicable) the approval of the relevant authorities;

THAT the Directors be and are hereby authorised to enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they may deem fit and expedient in order to implement, finalise and give effect to the Deed Poll;

THAT the Directors be and are hereby authorised with full power to make any modifications, variations and/or amendments in any manner as may be in the best interest of the Company or as may be required by the relevant authority/authorities to give effect to the Proposed Rights Issue with Warrants, and to take all such steps as they may deem necessary or expedient in the best interest of the Company to implement, finalise and give full effect to the Proposed Rights Issue with Warrants;

AND THAT this resolution constitutes a specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue to be in full force and effect until the Rights Shares and the new Masteel Shares arising from the exercise of the Warrants during the tenure of the Warrants to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants".

SPECIAL RESOLUTION 2

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("PROPOSED AMENDMENTS")

"THAT the proposed alteration or amendments to the existing Constitution of the Company, as annexed herewith as Appendix IV in the Circular to Shareholders, be and are hereby approved and adopted, with immediate effect.

AND THAT the Directors of the Company be and are hereby authorised to assent to any conditions, modification, variation and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

BY ORDER OF THE BOARD

Tai Yit Chan
MAICSA 7009143
SSM Practicing Certificate No. 202008001023

Tai Ai Ning
MAICSA 7015852
SSM Practicing Certificate No. 202008000067

Company Secretaries

Selangor Darul Ehsan
8 February 2021

Notes:

- 1. As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the EGM entirely through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. For further details and guidelines on RPV facilities, please refer to the Administrative Guide.*
- 2. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxies/corporate representative from the public should be physically present at the broadcast venue on the day of EGM.*
- 3. In respect of deposited securities, only members whose names appear on the Record of Depositors on 15 March 2021 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.*
- 4. A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.*
- 5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) shareholdings to be represented by each proxy.*
- 6. Where a member of the Company is an Exempt Authorised Nominee which holds 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.*
- 7. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it is entitled to appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an Authorised Nominee appoints two (2) proxies to attend and vote at the EGM, the proportion of shareholdings to be represented by each proxy must be specified in the proxy form, failing which, the appointment shall be invalid.*

The members, proxies or corporate representatives may submit questions before the EGM to the Chairman or Board of Directors electronically via eservices@sshsb.com.my no later than Tuesday, 23 March 2021 at 3.00 p.m. or via real time submission of typed texts via RPV facilities during live streaming of the EGM as the primary mode of communication.

- 8. The proxy form shall be in writing, executed by or on behalf of the appointer or his (her) attorney duly authorised in writing or, if the appointer is a corporation, either be executed under its common seal or by its duly authorised attorney or officer.*

9. *The proxy form and the power of attorney or other authority, if any, under which it is signed or a duly notarised copy of that power or authority must be deposited to the Company's Share Registrar office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the EGM or adjourned EGM. Alternatively, the proxy form may also be electronically submitted via <https://sshsb.net.my/login.aspx>. Please refer to Administrative Guide for further information on electronic submission.*
10. *Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the Notice of the EGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.*

Personal Data Privacy:

*By submitting proxy form(s) appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*



MALAYSIA STEEL WORKS (KL) BHD
(Registration No. 197101000213 (7878-V))

FORM OF PROXY

CDS Account No.

No. of shares held

I/We _____ Tel: _____
of _____
[Full name in block, and as per NRIC/Passport/Company No.]

being member(s) of Malaysia Steel Works (KL) Bhd, hereby appoint:

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email:		
	Contact:		

and /or

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email:		
	Contact:		

or failing him/her, the Chairperson of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held on on Tuesday, 23 March 2021 at 3.00 p.m., as a fully virtual meeting via live streaming broadcast from Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia or at any adjournment (as the case may be), and to vote as indicated below:

No.	Resolution	FOR	AGAINST
Special Resolution 1	Proposed Rights Issue with Warrants		
Special Resolution 2	Proposed Amendments		

(Please indicate with an "X" in the space provided whether you wish your votes to be cast "for" or "against" the resolutions. In the absence of specific direction, your proxy will vote or abstain at his/her discretion).

Dated this _____ day of _____, 2021

Signature of Shareholder/Common Seal



Notes:

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 - (iv) A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.*
 - (v) Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) shareholdings to be represented by each proxy.*
 - (vi) Where a member of the Company is an Exempt Authorised Nominee which holds 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.*
 - (vii) Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it is entitled to appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an Authorised Nominee appoints two (2) proxies to attend and vote at the EGM, the proportion of shareholdings to be represented by each proxy must be specified in the proxy form, failing which, the appointment shall be invalid.*
- The members, proxies or corporate representatives may submit questions before the EGM to the Chairman or Board of Directors electronically via eservices@sshsb.com.my no later than Tuesday, 23 March 2021 at 3.00 p.m. or via real time submission of typed texts via RPV facilities during live streaming of the EGM as the primary mode of communication.*
- (viii) The proxy form shall be in writing, executed by or on behalf of the appointer or his (her) attorney duly authorised in writing or, if the appointer is a corporation, either be executed under its common seal or by its duly authorised attorney or officer.*
 - (ix) The proxy form and the power of attorney or other authority, if any, under which it is signed or a duly notarised copy of that power or authority must be deposited to the Company's Share Registrar office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the EGM or adjourned EGM. Alternatively, the proxy form may also be electronically submitted via <https://sshsb.net.my/login.aspx>. Please refer to Administrative Guide for further information on electronic submission.*
 - (x) Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in the Notice of the EGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.*

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 8 February 2021.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE SHARE REGISTRAR OF

MALAYSIA STEEL WORKS (KL) BHD
(Registration No. 197101000213 (7878-V))

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

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