

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

SUMMARY KEY MATTERS DISCUSSED AT THE FORTY-SIXTH ANNUAL GENERAL MEETING (“46th AGM”) OF THE COMPANY HELD AT DEWAN PERDANA, LEVEL 2, CONVENTION CENTRE, GRAND BLUEWAVE HOTEL SHAH ALAM, PERSIARAN PERBANDARAN, SEKSYEN 14, 40000 SHAH ALAM, SELANGOR DARUL EHSAN ON THURSDAY, 21 JUNE 2018 AT 2.10 P.M.

1. CHAIRMAN

Dato’ Ikhwan Salim bin Dato’ Haji Sujak, the Chairman, welcomed all members to the Forty-Sixth (“46th”) Annual General Meeting (“AGM”) of the Company. He then introduced his fellow Directors on the Board and the Company Secretary to all present.

2. QUORUM

With the requisite quorum being present in accordance with Article 57 of the Company’s Constitution (Articles of Association), the Meeting was called to order at 2.10 p.m.

3. CHAIRMAN’S ADDRESS

The Chairman briefed the floor that the year under review has been favourable for Malaysia Steel Works (KL) Bhd (“Masteel”). Globally, the ongoing consolidation of Chinese steel mills’ production capacities had contributed to higher international prices of steel bars. In line with the recovery of global steel prices, the Company’s performance continues to outperform in year 2017.

Domestically, stronger demand for steel bars in the construction and infrastructure sectors had boosted the continuous upward trend in the local steel bar prices in year 2017.

For the year under review, in line with the continuous improvement in the output of the new rolling mill which produces premium size bars, the Company recorded a new high revenue of RM1.46 billion as compared to RM1.21 billion in the previous financial year. The increase of 21.26% in revenue was attributable to increased sales volume coupled with better sales prices.

Consequently, the Company achieved a 187% increase in net profit before tax amounting to RM70.89 million in the financial year ended (“FYE”) 2017 as compared to a net profit before tax of RM24.68 million in the FYE 2016.

Correspondingly, its Earnings Per Share had also increased from 8.87 sen in year 2016 to 25.03 sen in year 2017.

In line with the Company’s commendable performance, the Company’s shareholders’ funds had also increased by 17.59% to RM648.84 million for FYE 2017 as compared to RM551.77 million in the previous year. The increase was mainly attributable to an increase in retained profits and a private placement exercise of new shares.

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- *Summary of Key Matters discussed at the 46th Annual General Meeting of the Company held on 21 June 2018*

In the year under review, the Company had successfully completed two tranches of the private placement exercise. A total proceed of RM20.42 million was raised from the issuance of 19,500,000 new ordinary shares.

In addition, the Company had also rewarded its shareholders by declaring a bonus issue of 51,622,840 new ordinary shares, on a basis of one bonus share for every five existing shares, which had subsequently raised its total ordinary shares issue from 244,508,003 ordinary shares to 315,630,843 ordinary shares.

Moving forward, despite continuous volatility that exists in the local and global steel industry, Masteel will continue to strive for better returns to our valued shareholders by maximising its existing management and production assets.

After the end of the Chairman's briefing on the Company's performance, he informed that the talk entitled "how to accumulate wealth through short term trading and long term investing" would only be started after the conclusion of the business agenda of the Meeting.

4. NOTICE

With the consent of the members present, the Notice of the Meeting having been circulated within the prescribed period, was with the permission of the Meeting, taken as read.

5. SUMMARY OF PROXIES RECEIVED

As part of good governance, the Chairman reported that the Company has received a total of 123 proxy forms and corporate representative notification from the shareholders for a total of 167,917,133 ordinary shares, representing 39.40% of the total number of issued shares of the Company. Out of those, there were 8 shareholders who have appointed the Chairman of the Meeting as proxy to vote on their behalf and the shares so represented stood at 3,977,098 which represent 0.93% of the total number of issued shares capital of the Company. The Chairman informed the shareholders that they are encouraged to participate, speak and vote at the Meeting.

6. POLL

In the interest of all shareholders, the Chairman demanded for a poll on all resolutions as set forth in the Agenda of the Meeting pursuant to the Company's Constitution (Articles of Association), to be in line with the Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

The Chairman informed the members present that the Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as the Poll Administrator to conduct the polling and Asia Securities Sdn Berhad as independent scrutineer to verify the poll results, which appointment had been accepted by Tricor Investor & Issuing House Services Sdn Bhd and Asia Securities Sdn Berhad respectively.

The Chairman also informed that the polling process would be conducted after the deliberation of all items on the Agenda.

7. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Audited Financial Statements for the financial year ended 31 December 2017 (“AFS”) together with the Directors’ and the Auditors’ Reports thereon which had been circulated to all shareholders within the prescribed period were laid at the Meeting for discussion.

The Chairman subsequently invited questions from the floor and took cognizance of the following enquiries, proposals and/or suggestions by shareholders and proxies during the Meeting.

A. Financial/Operation matters

- a) A query was raised on the switch to using lower cost scrap which constitutes 60% to 70% of the production costs of the Company, to which the Managing Director/Chief Executive Officer (“MD/CEO”) explained that it is an ongoing process to monitor the mixture of various component of scrap to ensure cost minimization, whilst maintaining the quality of the Company’s steels products. The Company had work closely with suppliers to ensure the quality of composite steel scrap with a lower cost in producing steel as compared to the traditional scrap, while maintaining the yield.
- b) A query was raised on the production capacity of steel bars and billets as the said shareholder opined that the average gross profit of steel bars is low and various assumptions were made by the said shareholder comparing the average selling price of steel bars and billets published by Ministry of International Trade and Industry (“MITI”) bulletin 2017.

The MD/CEO commented that the views expressed by the said shareholders were not practical as the said shareholder was merely computing the figures in a superficially way. The following responses were given to address the assumptions made by the said shareholder:-

- (i) The report provided by MITI showed an average figure for various industry players in the market and hence, it was inappropriate to be used as a benchmark for the Company.
- (ii) The cost of goods sold has increased and resulted in a lower sales margin. In addition, the gross profit margin is not comparable with other steel mills companies as they are selling wire rods and different steel mills companies adopted different production technology.

- (iii) As for the steel bars margin, the factors such as operation environment, idiosyncrasy of competitors, the characteristic of technology, competitors and products differences among the Malaysia steel mills companies should be taken into consideration.
- (iv) As the Company is only selling steel bars, it is inappropriate to compare solely based on gross profit margin.

The MD/CEO then welcomed the said shareholder to discuss with him separately onto the matter after the conclusion of the Meeting.

B. Audit Committee activities

- a) A query was raised on the reason of not covering the business process review on three core areas of the Company's business, namely purchase of scrap, sales of steel bar and the capital expenditure of the plant as part of the internal audit activities.

The Audit Committee ("AC") Chairman replied that the three core areas have been reviewed by the External Auditors previously and sufficient audit works had been carried out to address the issue of internal control process within the group. In addition, the purchase of scrap is a typical day to day business function and there were no significant changes in the process that may warrant for a review. As the purchase of scrap is a main production cost of the Company, the system had been reviewed previously with no indication of concern for a further review on yearly basis.

In relation to the sales of steel bars, it has been reviewed and recorded accordingly.

As for the capital expenditure of the plant, the capital expenditure incurred for the year under review is minimal, save for those which have been completed previously. Therefore, the AC was of view that further review was not required as the activities and project undertaken by the Company during the year 2017 is immaterial.

C. Suggestions from Shareholders

- a) The Board noted the suggestion for the AC to form a task force to verify the gross profit margin of the Company as a shareholder was of view that the gross profit margin of the company was significantly lower than the market.
- b) The Board noted the suggestion for the Company to explore on the method in increasing the Company's capital, for instances, issuance of free warrant and dividend reinvestment policy.

- Summary of Key Matters discussed at the 46th Annual General Meeting of the Company held on 21 June 2018

- c) The Board noted the suggestion for the AC to carry out a process review on the control of scrap as its price was fluctuated over time and it covered majority of the Company's total expenditure, which may impact the account materially.
- d) The Board noted a concern raised in relation to the dividend payment for the financial year ended 2017 and suggestion made by a shareholder for the Company to conserve capital to sustain the business due to higher working capital and volatile steel prices.

After addressing all the questions raised, the Chairman declared that the AFS of the Company for the financial year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon, to be duly received.

8. VOTING RESULTS

All the following resolutions tabled at the 46th AGM of the Company were duly passed by the shareholders of the Company:-

Ordinary Business

Resolution	Business
Ordinary Resolution 1	Declare of a final single-tier dividend of 0.90 sen per ordinary share in respect of the financial year ended 31 December 2017.
Ordinary Resolution 2	Approval of the Directors' fees up to an aggregate amount of RM152,000 for the financial year ending 31 December 2018 and benefits payable to the Directors up to an aggregate amount of RM366,814 from 22 June 2018 until the next AGM of the Company and the payment thereof.
Ordinary Resolution 3	Re-election of the Director, Mr Lau Yoke Leong who is retiring under Article 79 of the Articles of Association of the Company.
Ordinary Resolution 4	Re-election of the Director, Mr Roy Thean Chong Yew who is retiring under Article 79 of the Articles of Association of the Company.
Ordinary Resolution 5	Re-election of the Director, Ms Ng Siew Peng who is retiring under Article 84 of the Articles of Association of the Company.
Ordinary Resolution 6	Re-appoint of Messrs RSM Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

Resolution	Business
Ordinary Resolution 7	Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director
Ordinary Resolution 8	Authority for Encik Muhammad Hanizam bin Hj. Borhan to continue in office as Independent Non-Executive Director
Ordinary Resolution 9	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares
Ordinary Resolution 10	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares
Special Resolution	Proposed Adoption of New Constitution of the Company

9. CLOSURE

There being no other business to be transacted, the Meeting terminated at 3.40 p.m. with a vote of thanks extended to the Chairman of the Meeting.

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