



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

INFORMATION MEMORANDUM

ISLAMIC MEDIUM TERM NOTES ISSUANCE PROGRAMME UNDER THE ISLAMIC PRINCIPLE OF IJARAH TO BE GUARANTEED BY DANAJAMIN NASIONAL BERHAD OF UP TO RM130 MILLION IN NOMINAL VALUE

PRINCIPAL ADVISER / LEAD ARRANGER, LEAD MANAGER & SHARIAH ADVISER



KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(Company No. 672174-T)

This Information Memorandum is dated 14 November 2018

TABLE OF CONTENTS

Particulars	Page
RESPONSIBILITY STATEMENT.....	1
IMPORTANT NOTICE AND GENERAL STATEMENTS OF DISCLAIMER.....	1
DOCUMENTS INCORPORATED BY REFERENCE.....	3
PRIVACY NOTICE.....	3
CONFIDENTIALITY NOTICE.....	4
RESTRICTIONS.....	5
STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION MALAYSIA.....	6
DEFINITIONS AND ABBREVIATIONS.....	7
SECTION 1 - EXECUTIVE SUMMARY.....	9
1.1 INTRODUCTION.....	9
1.2 BRIEF INFORMATION ON THE ISSUER.....	9
1.3 SALIENT FEATURES OF THE SUKUK IJARAH PROGRAMME.....	9
1.4 UTILISATION OF PROCEEDS.....	10
1.5 PRINCIPAL TERMS AND CONDITIONS.....	10
1.6 RATING.....	10
1.7 KAFALAH GUARANTEE.....	10
1.8 SELLING RESTRICTIONS.....	11
1.9 LODGEMENT WITH THE SC.....	11
SECTION 2 – CORPORATE INFORMATION OF THE ISSUER.....	12
2.1 HISTORY AND BUSINESS.....	12
2.2 SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS.....	12
2.3 PROFILE OF DIRECTORS.....	13
2.4 SENIOR MANAGEMENT.....	16
2.5 FINANCIAL HIGHLIGHTS.....	17
SECTION 3 – CORPORATE INFORMATION OF DANAJAMIN.....	18
3.1 CORPORATE BACKGROUND INFORMATION AND OBJECTIVES.....	18
3.2 BUSINESS OVERVIEW.....	18

3.3	DANAJAMIN'S FINANCIAL GUARANTEE.....	18
3.4	KAFALAH GUARANTEE BY DANAJAMIN.....	19
	SECTION 4 – BUSINESS OVERVIEW OF THE ISSUER.....	21
4.1	BUSINESS ACTIVITIES.....	21
4.2	COMPETITIVE ADVANTAGES.....	21
4.3	FUTURE PLANS.....	21
	SECTION 5 – RISK FACTORS.....	23
5.1	RISK RELATING TO THE STEEL MANUFACTURING INDUSTRY	23
5.2	RISK RELATING TO THE ISSUER'S BUSINESS.....	24
5.3	RISKS RELATING TO THE SUKUK IJARAH.....	26
5.4	POLITICAL, ECONOMIC AND REGULATORY RISKS.....	28
5.5	FORWARD-LOOKING STATEMENTS.....	28
	SECTION 6 - INDUSTRY OVERVIEW.....	30
6.1	OUTLOOK AND ECONOMY OF MALAYSIA.....	30
6.2	OVERVIEW AND OUTLOOK OF THE STEEL MANUFACTURING SECTOR.....	32
	SECTION 7 - OTHER MATERIAL INFORMATION.....	34
7.1	MATERIAL CONTRACTS.....	34
7.2	MATERIAL LITIGATION.....	34
7.3	MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES.....	34
7.4	CONFLICT OF INTEREST SITUATIONS AND APPROPRIATE MITIGATING MEASURES.....	34
	APPENDIX I - PRINCIPAL TERMS AND CONDITIONS OF THE SUKUK IJARAH PROGRAMME.....	36
	APPENDIX II - AUDITED FINANCIAL STATEMENT OF THE ISSUER FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017	65

RESPONSIBILITY STATEMENT

This information memorandum ("**Information Memorandum**") in relation to the issue, offer or invitation to subscribe or purchase of Islamic medium term notes ("**Sukuk Ijarah**") pursuant to an Islamic medium term notes issuance programme under the Islamic principle of Ijarah to be guaranteed by Danajamin Nasional Berhad of up to RM130 million in nominal value ("**Sukuk Ijarah Programme**") by Malaysia Steel Works (KL) Bhd (Company No. 7878-V) ("**Issuer**") has been approved by the board of directors of the Issuer ("**Board**").

The Issuer and its Board, after having made all reasonable enquiries and to the best of their knowledge, information and belief, confirm that all information contained in this Information Memorandum is true and correct in all material respects. The opinions and intentions expressed in this Information Memorandum are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and there are no other facts, the omission of which would make any statement in this Information Memorandum misleading in any material respect and all reasonable enquiries have been made by the Issuer and its Board to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer and its Board, collectively and individually, accept full responsibility for the accuracy of the information contained in this Information Memorandum.

Each recipient of this Information Memorandum is advised to read this disclaimer carefully before accessing, reading or making any other use of this Information Memorandum. By accessing this Information Memorandum, the recipient agrees to be bound by the following terms and conditions, including any modifications to them from time to time, each time the recipient receives any information from us as a result of such access.

IMPORTANT NOTICE AND GENERAL STATEMENTS OF DISCLAIMER

This Information Memorandum is not and is not intended to be a prospectus. Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof.

The Issuer hereby acknowledges and authorises Kuwait Finance House (Malaysia) Berhad ("**KFHMB**") as the Principal Adviser / Lead Adviser ("**PA / LA**") and the Lead Manager ("**LM**") to circulate or distribute this Information Memorandum on its behalf in respect of or in connection with the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of the Sukuk Ijarah to prospective investors and that no further evidence of authorisation is required.

This Information Memorandum is being furnished on a private and confidential basis to prospective investors falling within the relevant category of persons specified in Section 2(6) of the Companies Act as amended from time to time, and:

- (a) at issuance, persons to whom an offer or invitation to subscribe the Sukuk Ijarah may be made and to whom the Sukuk Ijarah are issued would fall within Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) of the CMSA as amended from time to time, read together with Schedule 9 or Section 257(2) of the CMSA; and
- (b) thereafter, persons to whom an offer or invitation to purchase the Sukuk Ijarah may be made would fall within Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(2) of the CMSA,

for the sole purpose of enabling them to consider and decide whether to subscribe for or purchase the Sukuk Ijarah.

The content of this Information Memorandum is for your information only and may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed, in whole or in part, with any other person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

The PA / LA and LM have not independently verified the information contained in this Information Memorandum and does not make any representation, warranty or undertaking, whether expressly or impliedly, with respect to the accuracy or completeness of any of the information contained in this Information Memorandum.

To the extent permitted by law, the PA / LA and LM have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Sukuk Ijarah and to the extent permitted by law, shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the PA / LA, the LM or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe for or purchase the Sukuk Ijarah or any other securities of any kind by any party in any Foreign Jurisdiction.

The distribution or possession of this Information Memorandum in or from certain jurisdictions may be restricted or prohibited by law. Each recipient is required to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the PA / LA nor the LM accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any Foreign Jurisdiction.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the Sukuk Ijarah is not, and should not be construed as, a recommendation by the Issuer, the PA / LA and/or the LM to subscribe for or purchase the Sukuk Ijarah. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents. The Sukuk Ijarah Programme will carry risks and each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the issuance of the Sukuk Ijarah and all other relevant matters, and each recipient should consult its own professional advisers.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk Ijarah shall in any circumstance imply that the information contained herein is correct at any time subsequent to the date stated hereof or if no dates have been specifically stated, subsequent to the date of this Information Memorandum or that any other information supplied in connection with the Sukuk Ijarah is correct as of any time subsequent to the date indicated in the document containing the same. Neither the PA / LA, the LM nor any other advisers expressly undertake to review the financial condition or affairs of the Issuer during the tenure of the Sukuk Ijarah or to advise any investor of the Sukuk Ijarah ("**Sukukholder(s)**") of any information coming to their attention unless required by law. The recipient of this Information Memorandum or the potential Sukukholders should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any Sukuk Ijarah.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, the material businesses which the Issuer operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third party sources.

This Information Memorandum includes “forward-looking statements” and reflects projections of future events which may or may not prove to be correct. These statements include, among other things, discussions of each of the Issuer’s business strategy and expectation concerning its position in the Malaysian economy, future operations, growth prospects and industry prospects. All these statements are based on estimates and assumptions made by the Issuer that, although believed to be reasonable, are subject to risks and uncertainties and other factors that may cause actual events and the future results of the Issuer to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Information Memorandum should not be regarded as a representation or warranty by the Issuer, its advisers or any other person that the future plans and objectives as anticipated by the Issuer will be achieved. Any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after, rounding.

The Shariah adviser (“**Shariah Adviser**”), has reviewed and confirmed the structure and mechanism of the Sukuk Ijarah and their compliance with the applicable Shariah principle. However, the approval is only an expression of the view of the Shariah Adviser based on their extensive experience in the subject. Prospective investors are reminded that, as with any Shariah views, differences in opinion are possible. Prospective investors are advised to obtain their own independent Shariah advice as to whether the structure meets their individual standards of compliance.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (a) the latest audited financial statements and, if published later, the latest interim financial statements (if any) of the Issuer; and
- (b) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

PRIVACY NOTICE

KFHMB is committed to comply with the Personal Data Protection Act 2010 which came into force on 15 November 2013.

KFHMB is required to issue Privacy Notice to any person for the use and processing of personal information of such person. The Privacy Notice is available at KFHM’s website: <https://www.kfh.com.my/kfhmb/>.

In respect of a person which is a body corporate, the consent and authority of their directors, shareholders, authorised signatories and officers are deemed to have been duly obtained to provide the personal data (as defined under the Personal Data Protection Act 2010) as required by KFHM.

CONFIDENTIALITY NOTICE

This Information Memorandum and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. This Information Memorandum and its contents, or any information, which is made available to the recipient in connection with any further enquiries, must be held in complete confidence and shall not be reproduced or used, in whole or in part, for any purposes, nor furnished to any person other than those to whom copies have been sent by the PA / LA or the LM.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer, the PA / LA or the LM may, at its discretion, apply for any remedy available whether at law or in equity, including without limitation, injunctions. The Issuer, the PA / LA and the LM are entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard on a full indemnity basis. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisers, directors, employees and any other persons who may receive this Information Memorandum (or any part of it) from the recipient.

The Issuer, the PA / LA or the LM may at any time request any recipient to return this Information Memorandum and all reproductions whether in whole or in part any other information in connection therewith and where such a request is made, the recipient must return this Information Memorandum and all reproductions whether in whole or in part and any other information in connection therewith to the Issuer, the PA / LA or the LM as soon as reasonably practicable after the said request from the Issuer, the PA / LA or the LM.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that:

- (a) it will keep confidential all of such information and data;
- (b) it is lawful for the recipient to subscribe for or purchase the Sukuk Ijarah under all jurisdictions to which the recipient is subject;
- (c) it has complied with all applicable laws in connection with such subscription or purchase of the Sukuk Ijarah;
- (d) the Issuer, the PA / LA and/or the LM and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject to as a result of such subscription or purchase of the Sukuk Ijarah, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk Ijarah is or shall become unlawful, unenforceable, voidable or void;
- (e) it is aware that the Sukuk Ijarah can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;
- (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Sukuk Ijarah, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk Ijarah;
- (g) it is subscribing or accepting the Sukuk Ijarah for its own account; and
- (h) if it is subscribing to the Sukuk Ijarah at the issuance of the Sukuk Ijarah, it is a person falling within Section 2(6) of the Companies Act and any one or more of the categories of persons specified in Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) of the CMA to be read together with Schedule 9 or Section 257(2) of the CMA; and
- (i) if it is purchasing or acquiring the Sukuk Ijarah after the said Sukuk Ijarah has been issued, it is a person falling within Section 2(6) of the Companies Act and any one or more of the categories of persons specified in Schedule 6 or Section 229(1)(b) of the CMA to be read together with Schedule 9 or Section 257(2) of the CMA.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject to. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Sukuk Ijarah in relation to any recipient who does not fall within the categories of persons specified in items (h) and (i) above, as the case may require.

RESTRICTIONS

Each recipient of this Information Memorandum is reminded that you have accessed the Information Memorandum on the basis that you are a person into whose possession of the Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person.

If you have gained access to this Information Memorandum contrary to the foregoing restrictions, you will be unable to purchase any of the Sukuk Ijarah described therein.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION MALAYSIA

This Information Memorandum is not a prospectus and is not intended to be a prospectus and will not be lodged as a prospectus with the Securities Commission Malaysia (“**SC**”). However, a copy of this Information Memorandum will be deposited as an information memorandum for the purposes of Sections 229 and/or 230 of the CMA with the SC, which takes no responsibility for its contents.

The issue, offer or invitation to subscribe or purchase of the Sukuk Ijarah in this Information Memorandum or otherwise are subject to the fulfilment of various conditions precedent including without limitation the lodgement of information and documents in relation to the Sukuk Ijarah Programme to the SC in accordance with the SC’s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (effective on 15 June 2015) and revised on 11 October 2018, as may be amended from time to time (“**LOLA Guidelines**”).

The structure of the Sukuk Ijarah Programme has been endorsed by the Shariah Advisory Council of the SC. Information and documents in relation to the Sukuk Ijarah Programme have been lodged with the SC pursuant to the LOLA Guidelines. However, each recipient of this Information Memorandum acknowledges and agrees that the Shariah endorsement by the SC’s Shariah Advisory Council and the lodgement of the Sukuk Ijarah Programme with the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk Ijarah.

THE SC TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS INFORMATION MEMORANDUM. THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE ISSUER AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS INFORMATION MEMORANDUM.

EACH SUKUK IJARAH WILL CARRY DIFFERENT RISKS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. INVESTORS ARE ADVISED TO NOTE THAT THIS SUKUK IJARAH IS TRANSFERABLE AND TRADABLE. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE SUBSCRIBING OR PURCHASING THE SUKUK IJARAH.

DEFINITIONS AND ABBREVIATIONS

In this Information Memorandum, unless the subject of context otherwise requires, the following words and expressions shall have the following meanings:

“Board”	:	the board of directors of the Issuer;
“CMSA”	:	the Capital Markets and Services Act 2007, as amended from time to time;
“Companies Act”	:	the Companies Act 2016, as amended from time to time;
“Danajamin” or “Guarantor”	:	Danajamin Nasional Berhad (Company No. 854686-K);
“Facility Agent”	:	KFHMB;
“Group”	:	Masteel and its subsidiaries (namely Metropolitan Commuter Network Sdn. Bhd. (Company No. 776516-M) and MS Express Sdn. Bhd. (Company No. 1227637-T) collectively;
“Issuer” or “Masteel”	:	Malaysia Steel Works (KL) Bhd (Company No. 7878-V);
“Kafalah Facility”	:	Islamic financial guarantee facility in accordance with the Shariah principle of Kafalah granted or to be granted by Danajamin to the Issuer;
“Kafalah Guarantee”	:	Guarantee issued or to be issued by Danajamin pursuant to the Kafalah Facility;
“KFHMB”	:	Kuwait Finance House (Malaysia) Berhad (Company No. 672174-T);
“Lead Manager”	:	KFHMB;
“LOLA Guidelines”	:	the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (effective on 15 June 2015) and revised on 11 October 2018;
“LPD”	:	10 October 2018, being the latest practicable date prior to the printing of this Information Memorandum;
“MARC”	:	Malaysian Rating Corporation Berhad (Company No. 364803-V);
“Principal Adviser” or “Lead Arranger”	:	KFHMB;

“PTC”	: the principal terms and conditions of the Sukuk Ijarah Programme as set out in Appendix I of this Information Memorandum;
“RM”	: Ringgit Malaysia;
“SC”	: the Securities Commission Malaysia;
“Shariah Adviser”	: KFHMB;
“Solicitors”	: Messrs. Jeff Leong, Poon & Wong;
“Sukuk Ijarah”	: Islamic medium term notes to be issued under the Islamic principle of Ijarah pursuant to the Sukuk Ijarah Programme (as defined herein);
“Sukuk Ijarah Programme”	: Islamic medium term notes issuance programme under the Islamic principle of Ijarah to be guaranteed by Danajamin of up to RM130 million in nominal value;
“Sukuk Trustee”	: AmanahRaya Trustees Berhad (Company No. 766894-T);
“Sukukholder(s)”	: the holder(s) of the Sukuk Ijarah;
“Transaction Documents”	: the documents executed or to be executed by the Issuer in connection with the Sukuk Ijarah Programme;
“USD”	: United States Dollar.

All terms, where applicable, include the plural and vice versa; (a) one gender only shall include the other gender; and (b) a person includes any individual, company, unincorporated association, government, state agency, international organisation or other entity.

Unless otherwise indicated, any reference in this Information Memorandum to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation), rules, statute or statutory provision shall be construed as a reference to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such modification or re-enactment.

(The remainder of this page is intentionally left blank)

SECTION 1 - EXECUTIVE SUMMARY

This summary below aims to provide an overview of the information contained in this Information Memorandum and must be read in conjunction with the detailed information and statements appearing elsewhere in this Information Memorandum. Each investor should read this entire Information Memorandum carefully.

1.1 INTRODUCTION

The Issuer proposes to issue Sukuk Ijarah of up to RM130 million in nominal value based on the Islamic principle of Ijarah under the Sukuk Ijarah Programme to be guaranteed by Danajamin.

The Sukuk Ijarah will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.

1.2 BRIEF INFORMATION ON THE ISSUER

The Issuer is a public company limited by shares incorporated on 25 March 1971 under the Companies Act. The registered address of the Issuer is Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor.

The principal business activities of the Issuer is manufacturing of steel bars and steel billets, with its manufacturing facilities located in Petaling Jaya and Bukit Raja, Klang.

The Issuer has two wholly owned subsidiaries, namely (i) Metropolitan Commuter Network Sdn. Bhd. which is currently in the process of being struck off; and (ii) MS Express Sdn. Bhd. which is involved in transportation and logistics activities. The Issuer also has an associate company, namely Bio Molecular Industries Sdn. Bhd. which manufactures radioisotopes for the imaging of cancer cells.

As at LPD, the Issuer has a paid-up capital of RM229,097,090.50 comprising 427,239,831 ordinary shares.

1.3 SALIENT FEATURES OF THE SUKUK IJARAH PROGRAMME

The information set out in this subsection and the following information relating to the transaction structure of the Sukuk Ijarah are qualified by, and must be read in conjunction with, the further detailed information appearing elsewhere in this Information Memorandum. In this section, in the event of any inconsistency of defined terms as set out in the "Definitions" and the following section, the terms as defined in the following section shall prevail.

The programme size of the Sukuk Ijarah is up to RM130 million in nominal value.

The Sukuk Ijarah Programme shall have a tenure of up to seven (7) years commencing from the issuance date of the first tranche of the Sukuk Ijarah.

The tenure of each issue of Sukuk Ijarah shall be more than one (1) year and up to five (5) years as the Issuer may select, provided that all the Sukuk Ijarah shall mature prior to the expiry of the Sukuk Ijarah Programme.

Danajamin will issue a Kafalah Guarantee to guarantee the nominal value of Sukuk Ijarah issued (of up to nominal value of RM130 million) and one (1) profit / rental payment. First issuance of the Sukuk Ijarah is expected to be for a period of up to five (5) years. Subsequent issuances, based on available issuance amount under the Sukuk Ijarah Programme, will be subject to further approval of Danajamin and issuance of Kafalah Guarantee.

The Sukuk Ijarah is a rated instrument and shall constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

1.4 UTILISATION OF PROCEEDS

The proceeds from the Sukuk Ijarah Programme shall be used for the following purposes:

	Up to RM'000
(a) To refinance the Issuer's syndicated rolling mill term loan facilities.	40,000
(b) To finance capital expenditure for the acquisition and / or construction of a new induction furnace.	30,000
(c) (i) Fund the general working capital requirements of the Issuer; and (ii) Defray all relevant expenses incurred under the Sukuk Ijarah Programme and the Kafalah Facility and to meet the Issuer's obligations in respect of the minimum required balance as defined in and in accordance with the provisions of the Kafalah Facility transaction documents.	Balance
	130,000

Reimbursement to the Issuer is allowed for purposes (b) and (c)(ii) above.

For the avoidance of doubt, the utilization proceeds of the Sukuk Ijarah Programme shall at all times be for the Shariah-compliant purposes.

1.5 PRINCIPAL TERMS AND CONDITIONS

The PTC for the Sukuk Ijarah Programme are appended as Appendix I of the Information Memorandum.

1.6 RATING

MARC had vide its letter dated 29 August 2018 assigned an indicative rating of AAA(IS)_(rf) with a stable outlook to the Sukuk Ijarah Programme.

1.7 KAFALAH GUARANTEE

Danajamin has agreed to grant to the Issuer the Kafalah Facility whereby Danajamin will issue the Kafalah Guarantee in favour of the Sukuk Trustee (acting on behalf of the Sukukholder(s)) which shall unconditionally and irrevocably guarantee the payment obligation of the Issuer (except for payment obligation on compensation, if any, Ta'widh and other charges in relation to the Sukuk Ijarah). The guarantee amount is up to the nominal value of RM130 million and one (1) profit / rental payment obligation of the Issuer.

Only one (1) demand / claim is allowed in respect of each Kafalah Guarantee to be made against Danajamin. The respective Kafalah Guarantee shall cease to be valid upon payment of the guaranteed amount under the respective Kafalah Guarantee. Any demand or claim in writing shall only take effect upon actual receipt of the same by Danajamin.

1.8 SELLING RESTRICTIONS

The Sukuk Ijarah are tradable subject to the following selling restrictions:

Selling Restrictions at Issuance

The Sukuk Ijarah may only be offered, sold, transferred or otherwise disposed directly or indirectly to persons falling within the relevant category of persons specified in Section 2(6) of the Companies Act, and persons to whom an offer or invitation to subscribe the Sukuk Ijarah may be made and to whom the Sukuk Ijarah are issued would fall within:-

(a) Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA; and

(b) Part 1 of Schedule 7 or Section 230(1)(b) of the CMSA;

read together with Schedule 9 or Section 257(2) of the CMSA.

Selling Restrictions Thereafter

The Sukuk Ijarah may only be offered, sold, transferred or otherwise disposed of directly or indirectly to persons falling within the relevant category of persons specified in Section 2(6) of the Companies Act, and persons to whom an offer or invitation to purchase the Sukuk Ijarah may be made would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA read together with Schedule 9 or Section 257(2) of the CMSA.

1.9 LODGEMENT WITH THE SC

The Shariah Advisory Council of the SC has endorsed the structure of the Sukuk Ijarah Programme vide their letter dated 2 November 2018.

Information and documents in relation to the Sukuk Ijarah Programme has been lodged with the SC on 8 November 2018 in accordance with the LOLA Guidelines.

(The remainder of this page is intentionally left blank)

SECTION 2 - CORPORATE INFORMATION OF THE ISSUER

2.1 HISTORY AND BUSINESS

The Issuer was incorporated in Malaysia on 25 March 1971 as a private limited company under the name of Malaysia Steel Works (KL) Sendirian Berhad. It was converted into a public limited company on 18 August 1997 and assumed the name Malaysia Steel Works (KL) Berhad. On 2 April 2003, it was converted into a private limited company and was subsequently re-converted into a public limited company on 14 November 2003 and assumed its present name.

The Issuer was listed on the Main Board of Kuala Lumpur Stock Exchange (*currently known as the Main Market of Bursa Securities*) under the "Industrial Products" sector on 7 February 2005.

As at LPD, the Issuer's registered address is Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor.

The Issuer's principal activities are mainly to carry on the business of manufacturing steel bars and steel billets. The principal activities of the subsidiaries and associated company are as stated in the following:

Name of Company	% owned by the Issuer	Principal Activities
Metropolitan Commuter Network Sdn Bhd	100%	In the process of being struck off.
MS Express Sdn Bhd	100%	Providing various type of trailers, trucks and lorry transportation for coals, iron ore and steel for steel manufacturers.
Bio Molecular Industries Sdn Bhd	48.25%	BioNexus certified company that is involved in manufacturing, research and development of radioisotopes and radiopharmaceutical products for Positron Emission Tomography.

2.2 SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

As at LPD, the issued and paid-up share capital of the Issuer is as follows:

Issued and Paid-up Share Capital : RM229,097,090.50 comprising of 427,239,831 ordinary shares (inclusive of 1,381,000 ordinary shares brought-back and held as treasury shares)

As at LPD, the substantial shareholders of the Issuer are as follows:

No.	Name of Substantial Shareholder	Direct Interest		Indirect Interest	
		No. of shares	% of Issued Capital ^[1]	No. of shares	% of Issued Capital
1.	TYT Resources Sdn Bhd	130,892,616	30.74 ^[1]	-	-
2.	Dato' Sri Tai Hean Leng @ Tek Hean Leng	-	-	130,892,616 ^[2]	30.74
3.	Datin Ng Pik Lian	-	-	141,388,081 ^[3]	33.20
4.	Estate of Tai Chet Siang, Deceased	-	-	130,892,616 ^[2]	30.74

Note:

^[1] Excluding 1,381,000 ordinary shares bought-back by the Issuer and retained as treasury shares as at 18 July 2018.

^[2] Deemed interested pursuant to Section 8(4) of the Companies Act by virtue of their interest in TYT Resources Sdn Bhd.

^[3] Deemed interested pursuant to Section 8(4) of the Companies Act by virtue of her interest in TYT Resources Sdn Bhd and Kemajuan Rekacekap Sdn Bhd.

2.3 PROFILE OF DIRECTORS

The directors of the Issuer and their respective profiles as at LPD are as follows:

2.3.1 Dato' Ikhwan Salim bin Dato' Haji Sujak

Dato' Ikhwan Salim bin Dato' Haji Sujak, a Malaysian, male, aged 62, was appointed as a Non-Executive Chairman since 22 May 2003 and a Non-Executive Director of Masteel since 23 July 1998. He was re-designated as an Independent Non-Executive Director on 23 April 2012. He obtained a Bachelor of Science degree in Economics/Accounting in 1977 from Queen's University, Belfast, Ireland. He joined Nestle (M) Sdn Bhd as a Finance Executive in 1979. In 1980, he joined Jaya Management Sdn Bhd, a subsidiary of General Corporation Berhad as the Group Finance Planning Manager and upon restructuring his family's varied business operations in 1981, he was made the Director for the holding company, Jaya Holdings Sdn Bhd.

In 1999, he was appointed as Executive Chairman/Director of Konsortium Jaringan Selangor Sdn Bhd and was also appointed as an Independent Director as well as Chairman of the audit committee of Glomac Berhad. Subsequently, he was appointed as Independent Director of Kumpulan Perangsang Selangor Berhad in 2001 to 2008. He was appointed as a Director in Land and General Berhad on 1 December 2007. On 1 June 2014, he was appointed as a Director of 2A2 Capital Services Berhad and he was also a committee member of Automobile Association of Malaysia and the British Graduates Association of Malaysia. He is the Division Head of Damansara Division of United Malays National Organisation ("UMNO"). Dato' Ikhwan Salim bin Dato' Haji Sujak also sits on the Board of several private companies in Malaysia.

2.3.2 Dato' Sri Tai Hean Leng @ Tek Hean Leng

Dato' Sri Tai Hean Leng, a Malaysian, male, aged 54, was appointed as an Executive Director of Masteel on 25 April 1994. He is also the Managing Director/Chief Executive Officer of Masteel. He obtained a Bachelor of Science degree in Mechanical Engineering from the University of Southern California in 1987 and a Master's degree in Finance from the University of Hull, United Kingdom in 1993.

He began his practical training in 1987 as a Plant Manager in the manufacturing of Liquefied Petroleum Gas ("LPG") pressure vessels for the oil and gas industries. He has been involved in the formulation and implementation of Masteel's corporate strategies including corporate planning, business expansion and operations.

In 2016, he was publicly reprimanded with a fine of Ringgit Malaysia Forty Three Thousand and Five Hundred for breaching paragraph 16.13(b) of the Main Market Listing Requirement ("MMLR"). Subsequently, the submissions of the financial statements are in compliance to the MMLR.

He has more than 27 years of business experience in the iron and steel industry. Dato Sri Tai also sits on the Board of Metropolitan Commuter Network Sdn Bhd and MS Express Sdn Bhd which are the wholly-owned subsidiaries of Masteel. He also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia.

Dato' Sri Tai is a member of the Board of the Malaysia Steel Institute ("MSI"), he is the Vice President of the Malaysia Steel Association ("MSA") and also sits on the Board of Rosegate Insurance Brokers Sdn Bhd. He does not hold directorship in any other public companies.

2.3.3 Lau Yoke Leong

Lau Yoke Leong, a Malaysian, male, aged 49, was appointed as an Executive Director of Masteel on 16 April 2007. He joined Masteel as an Accountant in July 2000, promoted as Chief Accountant in June 2004 and was appointed as Chief Financial Officer in April 2016.

In 2016, he was publicly reprimanded with a fine of Ringgit Malaysia Forty Three Thousand and Five Hundred for breaching paragraph 16.13(b) of the MMLR. Subsequently, the submissions of the financial statements are in compliance to the MMLR.

He is the Fellow Chartered Certified Accountant and a member of the Malaysian Institute of Accountants ("MIA"). He has more than 17 years of experience in various fields of accounting, audit, taxation and management matters as well as in-house training instructor on updating of accounting standards and audit software program, corporate restructuring, corporate exercise and due diligence assignments. He started his accounting profession in 1994 as an auditor with Messrs Ong & Wong. He completed the professional qualification from the Association of Chartered Certified Accountants in late 1995.

Upon graduation in 1995, he joined another public accounting firm, Messrs T.H.Liew & Gan before moving on to Messrs Deloitte Touche Tohmatsu as an auditor from 1996 to 1999.

From 1999 to 2000, he was with Bell Management Services Sdn Bhd before joining Masteel. Mr. Lau also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia. He does not hold directorship in any other public companies.

2.3.4 Ong Teng Chun

Ong Teng Chun, a Malaysian, male, aged 50, was appointed as an Executive Director of Masteel on 30 September 2015. He joined Masteel as an Assistant Finance Manager in September 1998 and was subsequently promoted to the position of a Senior Vice President in July 2010. His principal duties include managing the Financial, Treasury and Risk Management of Masteel.

He was also en-tasked to spearhead the marketing division of steel bars. He obtained his Bachelor of Business degree majoring in Banking and Finance, in 1991, from Curtin University, Western Australia.

Prior to joining Masteel, Mr. Ong worked in Malaysian International Merchant Bankers Bhd (“**MIMB**”), where he was actively engaged in various syndicated fundraising exercises and structuring of project loan facilities. He is currently the Director of Metropolitan Commuter Network Sdn Bhd, a wholly-owned subsidiary of Masteel. He also sits on the Board of several private companies in Malaysia. He does not hold directorship in any other public companies.

2.3.5 Ng Wah Lok

Ng Wah Lok, a Malaysian, male, aged 58, was appointed as an Independent Non-Executive Director of Masteel on 29 July 2004. He obtained his Bachelor of Engineering degree in 1984 and a Master degree in Engineering Science in 1989 from the University of Malaya.

Upon graduation, he worked as a Project Engineer for a research project in the University of Malaya developing a hand pump to eradicate waterborne disease in rural areas.

In 1989, he joined Malaysian Industrial Products Sdn Bhd as a Project Engineer. In 1993, he was appointed as the General Manager of Masteel and was responsible for the upgrading of the rolling mill in Petaling Jaya and managed the expansion of the Bukit Raja plant in Klang.

In 1999, he resigned as Senior General Manager and alternate Director of Masteel. He is currently a Director of a private limited company and 3 unlisted public companies in Malaysia, namely Eagle Dialysis Centre Berhad, New Covenant Community Centre Bhd and Full Gospel Tabernacle Bhd.

2.3.6 Roy Thean Chong Yew

Roy Thean Chong Yew, a Malaysian, male, aged 47, was appointed as an Independent Non-Executive Director of Masteel on 2 July 2015. He is a member of the Malaysian Institute of Certified Public Accountants (“**MICPA**”), Malaysian Institute of Accountants (“**MIA**”) and a Chartered Member of Institute of Internal Auditors of Malaysia (“**CMIIA**”). He started embarking on his career path in 1994 with PKF Malaysia.

After accumulating extensive working experience in his field, he left PKF Malaysia as an Audit Manager in 2003 to join a professional services, Russell Bedford Malaysia Business Advisory Sdn Bhd (“**RB MBA**”) for another six (6) years, rising to the position of an Executive Director. In 2009, he left RB MBA to start his own business venture.

With over 22 years of working experience in local and international professional services firms, Mr. Roy Thean has been involved in rendering a wide and diverse range of professional services to public listed companies and multinational and large national enterprises. His work encompasses a wide range of professional services with his core practice being in corporate finance and advisory work for transaction support services including business valuations, financial due diligence, preparation of business plans and financial modelling, internal control and business risk review, corporate governance, risk management, merger/acquisition related services, internal and external auditing.

Presently, Mr. Roy Thean acts as a Director and an Audit Committee Chairman of JAG Berhad.

2.3.7 Muhammad Hanizam bin Hj. Borhan

Muhammad Hanizam bin Hj. Borhan, a Malaysian, male, aged 46, was appointed as an Independent Non-Executive Director on 12 November 2007. He is a member of the MIA. He obtained his Bachelor in Accountancy (Hons) Degree from the Universiti Teknologi Mara (UiTM) Shah Alam in 1997.

He started his career in an accounting firm Messrs Ali Jaafar & Co, in Kuala Lumpur as an audit assistant between 1996 to 1999 before he moved on to become an audit supervisor with Messrs MNZ Associates, a Public Accountants firm between 1999 to 2000. He re-joined Messrs Ali Jaafar & Co in October 2000 as an Audit Assistant Manager and was subsequently promoted to become the Audit Manager from 2002 to 2004. He joined Messrs Ismail Adam & Co as Tax Manager from May 2004 to September 2005. Thereafter he started his own professional firm Messrs My Accounting Services where he is currently offering accounting and business advisory services to variety of clients.

He has more than 19 years of experience in small and medium-sized firms involving in trading, manufacturing, marketing, plantation, construction, property development, quasi government agencies and services industries.

In 2015, he was appointed as a member of Accounting Syllabus Committee for Malaysian Higher School Certificate under The Malaysian Examination Council and was responsible to review the accounting syllabus periodically. He does not hold directorship in any other public companies.

2.3.8 Ng Siew Peng

Ng Siew Peng, a Malaysian, female, aged 40, was appointed as an Executive Director on 23 November 2017. She obtained a Master of Business Administration with a specialization in Finance from University of Southern Queensland, Australia. She joined Masteel in October 2012 as an Assistant Finance Manager and was subsequently promoted to the position of Corporate Manager in April 2016.

Her principal duties are to ensure the integrity of the governance framework, compliance with statutory and regulatory requirements and implements decision made by the Board.

She has more than 14 years of working experience in Corporate Finance and Corporate Governance. Prior to joining Masteel, she worked in Frontken Corporation Berhad, where she worked closely with the Senior Vice President to achieve the Company's objective and participate actively in corporate finance related assignments.

From 2004 to 2010, she was with Soon Seng Palm Oil Mill Sdn Bhd to assist the Group Director on implementation and coordination of new overseas investment plan. She does not hold directorship in any other public companies.

2.4 SENIOR MANAGEMENT

The details of the senior management of the Issuer are as follows:

2.4.1 Lim Eng Soon

Lim Eng Soon, a Malaysian, male, aged 57, was appointed as a Vice President of Masteel on 1 October 2010. He joined Masteel as a General Manager in 1999. He has more than 23 years of experience in the civil engineering. He holds a Bachelor of Engineering in Civil Engineering and Postgraduate in Town Planning from Victoria University of

Technology and a MBA in General Management from University of Bath. Upon graduation in 1985, he joined Essendon Town Council, in Melbourne, Victoria as an Assistant Council Engineer. In 1986, he joined Jennings Group Pte Ltd, Australia as a Planning Engineer before his return to Malaysia and joined Perunding Tan Sdn Bhd as a Design Engineer in 1987. Prior to joining Masteel in 1999, he was attached to various companies namely L&M Construction, Bespole Sdn Bhd and Bescorp Concrete Sdn Bhd.

2.4.2 Tan Ka Yeong

Tan Ka Yeong, a Malaysian, male, aged 50, was appointed as a Vice President of Masteel on 1 October 2010 and was subsequently promoted to Senior Vice President on 1 October 2018. He joined Masteel as a Plant Engineer in 1997 and was promoted as a Special Assistant to the Managing Director/Chief Executive Officer in 2006. In 2009, he was promoted again as a Deputy General Manager. He holds a MSC in Materials Engineering with Distinction from University of Sunderland, Sunderland U.K. He has more than 25 years of experience in the engineering field. He started his engineering profession in 1994 to 1997 with Harom LPG Industries Sdn Bhd as a Plant Engineer before joining Masteel in 1997.

2.5 FINANCIAL HIGHLIGHTS

The following are the financial highlights of the Group for the year 2017 based on its audited financial statements for the financial year ended 31 December 2017.

Financial Year Ended 31 December 2017	RM'000
Revenue	1,463,257
Profit Before Taxation	70,883
Net Profit and Total Comprehensive Income for the Financial Year	75,458
Total Assets Employed	1,317,111
Total Shareholders' Funds	648,023
Paid-Up Share Capital	221,472
No. of Ordinary Shares in Issue ('000)	315,631
Gearing Ratio	54.77%
Net Assets per Share (RM)	2.05
Earnings per Share (sen)	25.03
Diluted Earnings per Share (sen)	-
Gross Dividend per Share (sen)	0.90

The Issuer's audited financial statements for the financial year ended 31 December 2017 is appended as Appendix II of the Information Memorandum.

SECTION 3 - CORPORATE INFORMATION OF DANAJAMIN

3.1 CORPORATE BACKGROUND INFORMATION AND OBJECTIVES

Danajamin Nasional Berhad ("**Danajamin**") was established in May 2009 to be a financial guarantor and a catalyst to stimulate and further develop the Malaysian bond / sukuk market.

Danajamin is Malaysia's first and only Financial Guarantee Insurer.

(Source: Official website of Danajamin, <https://www.danajamin.com> as at LPD)

3.2 BUSINESS OVERVIEW

Danajamin provides financial guarantee insurance for bonds and sukuk issuances to viable Malaysian companies to enable access to the corporate bond market.

Danajamin is jointly owned by Minister of Finance Incorporated (50%) and Credit Guarantee Corporation Malaysia Berhad (50%), Danajamin is rated AAA by both RAM Rating Services Bhd ("**RAM**") and MARC. Credit Guarantee Corporation is a financial institution majority owned by Bank Negara Malaysia.

Danajamin has total assets of RM2.7 billion and total shareholders' equity of RM1.7 billion as at 31 December 2017.

Danajamin is regulated and supervised by Bank Negara Malaysia under the Financial Services Act 2013.

Danajamin's key objectives are:

- to provide financial guarantee to enable financially viable companies access to the Corporate Bond market to obtain financing, with emphasis on long-term financing;
- to catalyse the further development of the domestic Corporate Bond market as an alternative source of financing to complement the banking industry; and
- to stimulate economic growth by improving access to capital for Malaysian companies.

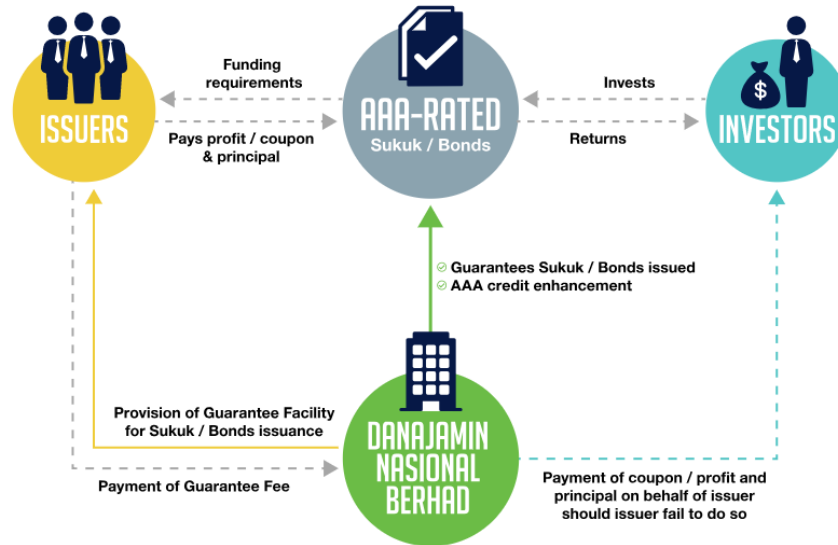
Danajamin aims to:

- facilitate a wider range of credit-worthy companies to raise capital via the bond / sukuk market;
- encourage smaller / non-traditional issuers to raise capital via the bond / sukuk market; and
- provide availability of long-term capital for a wider range of companies.

(Source: Official website of Danajamin, <https://www.danajamin.com> as at LPD)

3.3 DANAJAMIN'S FINANCIAL GUARANTEE

Danajamin provides financial guarantee, a form of credit enhancement, to bonds / sukuk. With Danajamin's guarantee, the bonds / sukuk will be automatically upgraded to AAA_(fg), the highest rating accorded to bonds / sukuk. With the improved rating, issuers will be more assured of a successful bonds / sukuk issuance. Investors, on the other hand, will have an opportunity to invest in AAA-rated papers that are guaranteed by Danajamin. Investors also have the assurance that Danajamin will pay the principal and up to one coupon / profit (where applicable) on behalf of the issuer, should the issuer fail to do so.



(Source: Official website of Danajamin, <https://www.danajamin.com> as at LPD)

3.4 KAFALAH GUARANTEE BY DANAJAMIN

Danajamin has agreed to grant to the Issuer the Kafalah Facility whereby Danajamin will issue Kafalah Guarantee in favour of the Sukuk Trustee (acting on behalf of the Sukukholder(s)) which shall unconditionally and irrevocably guarantee the payment obligation of the Issuer (except for payment obligation on compensation, if any, Ta'widh and other charges in relation to the Sukuk Ijarah). The guarantee amount is up to the nominal value of RM130 million and one (1) profit / rental payment obligation of the Issuer.

The Kafalah Facility shall have a tenure of up to seven (7) years from the date of the issuance of the first tranche of the Sukuk Ijarah. Notwithstanding the foregoing, under the terms of the Kafalah Facility, the Kafalah Guarantee will be subsisting for five (5) years from the date of the issuance of the first tranche of the Sukuk Ijarah and Danajamin may at its discretion extend the tenure of the Kafalah Guarantee for a further period of two (2) years.

Upon occurrence of an event of default under the trust deed for the Sukuk Ijarah Programme ("**Trust Deed**") (as defined in the Kafalah Facility), other than an event where Danajamin has served a notice requiring the Sukuk Trustee to make a demand or a claim on the Kafalah Guarantee pursuant to or in accordance with the terms of the Kafalah Facility and/or the Kafalah Guarantee, the Sukuk Trustee may or shall (if directed to do so by an extraordinary resolution from the Sukukholders) declare that the all amounts payable under the Sukuk Ijarah are immediately due and payable. The Sukuk Trustee subsequently, may take the necessary proceedings as it may think fit to call on the Kafalah Guarantee.

Any demand / claim on any Kafalah Guarantee issued must be made in writing within thirty (30) days from the date of declaration of any event of default or the expiry of the respective Kafalah Guarantee, whichever is earlier, failing which Danajamin's liability under the respective Kafalah Guarantee shall be deemed discharged fully.

Only one (1) demand / claim is allowed in respect of each Kafalah Guarantee to be made against Danajamin. The respective Kafalah Guarantee shall cease to be valid upon payment of the guaranteed amount under the respective Kafalah Guarantee. Any demand or claim in writing shall only take effect upon actual receipt of the same by Danajamin. A format of the Kafalah Guarantee is or will be annexed to the Trust Deed which will be lodged with the SC.

It will be a term under each Kafalah Guarantee that Danajamin may at its sole discretion accelerate Danajamin's payment under the Kafalah Guarantee, by issuing a notice to the Sukuk Trustee requesting the Sukuk Trustee to make a claim under the Kafalah Guarantee. The Sukuk Trustee shall, within five (5) business days from the date the Sukuk Trustee receives the said accelerated payment notice from Danajamin, make a claim to Danajamin under the Kafalah Guarantee. Failure by the Sukuk Trustee to make a claim to Danajamin within the said time period would discharge the liabilities and obligations of Danajamin under the relevant Kafalah Guarantee without any further notice to or consent of the Sukuk Trustee. Accordingly, it will be a term under the Trust Deed that when Danajamin serves such accelerated payment notice to the Sukuk Trustee, the Sukuk Trustee shall automatically, without the need to seek further instructions or directions from the Sukukholders, declare that such an event of default has occurred in respect of the Sukuk Ijarah whereupon all amounts then outstanding under the Sukuk Ijarah Programme shall become immediately due and payable and the Sukuk Trustee shall submit a claim on the Kafalah Guarantee.

(The remainder of this page is intentionally left blank)

SECTION 4 – BUSINESS OVERVIEW OF THE ISSUER

4.1 BUSINESS ACTIVITIES

The Issuer is principally engaged in the manufacturing of steel bars and steel billets which complies with the Malaysian Standard (MS 146:2014) for the construction sector.

In 1971, the Issuer commenced its operations by operating a cross country rolling mill in Jalan Tandang, Petaling Jaya which produced mild steel bars with an annual production capacity of 30,000 MT. Presently, this plant in Petaling Jaya has increased its rolling capacity to 450,000 MT per year, and is able to produce steel bars of diameters ranging from 16mm to 40mm. In 1998, the Issuer launched its steel billet manufacturing plant in Bukit Raja, Klang. The annual billet production capacity of the Bukit Raja plant has increased from 350,000 MT in 1998 to 750,000 MT per year currently. In late 2015, the Issuer developed a new rolling mill in its Bukit Raja plant which produces premium small diameter steel bars (ranging from 10mm to 16mm) with an annual capacity of 250,000 MT.

Currently, the Issuer is one of the largest long steel products manufacturer in Malaysia in terms of production capacity.

The Issuer's sales revenue is generated mainly by direct sales to distributors and dealers supplying to various infrastructure and property projects. The geographical presence of the sales of its steel bars is primarily located in the Klang Valley, Johor and the East Coast of West Malaysia.

4.2 COMPETITIVE ADVANTAGES

The Issuer's competitive advantage lies in its strategically located manufacturing plants in Petaling Jaya and Bukit Raja, Klang, both within the vicinity of Klang Valley. As opposed to most of the Issuer's competitors with their manufacturing plants located in regions such as Penang and Kuantan, the Issuer is able to enjoy lower logistic costs to customers in Klang Valley.

Moreover, the transfer of steel bars and steel billets by MS Express Sdn. Bhd., a wholly-owned subsidiary of the Issuer which owns a fleet of 8 lorries, would further optimise its logistic costs and increase its efficiency of delivery.

In addition, the Issuer employs a manufacturing technology which is fully computerised and is capable of producing quality products with precision.

4.3 FUTURE PLANS

The tactical business direction of the Issuer is to improve the output of the steel manufacturing plants through the upgrading of its plants and machineries. Further, maximizing the use of its existing equipment coupled with the installation and operation of new equipment will increase the production capacity of steel bars and steel billets. The objective of such strategy is for the Issuer to realise greater economies of scale that would reduce the total costs of production and improve the bottom line.

In line with the Issuer's objective, the Issuer is consistently in touch with technological improvement and market developments of the steel industry. Ongoing research and development on the technology and methodology to improve the efficiencies and reliability of the manufacturing facilities are key agendas for the Issuer.

The Issuer is commissioning a new induction furnace which is expected to be completed by 4th quarter of 2018. With the installation and operation of this new equipment, the Issuer will be able to increase its production of steel billets by a minimum of 100,000 MT in subsequent years. Moreover, the implementation of this new induction furnace is expected to reduce costs of production as volatile prices of consumables are mitigated through technological shift from electric

arc furnace to induction furnace, thus allowing the Issuer to be more competitive.

The Issuer intends to utilise part of the proceeds from the Sukuk Ijarah Programme to finance the capital expenditure for the acquisition and construction of this new induction furnace. Subject to the feasibility and success of this new induction furnace, the Issuer may implement a second induction furnace by 2nd quarter of 2019.

(The remainder of this page is intentionally left blank)

SECTION 5 - RISK FACTORS

An investment in the Sukuk Ijarah Programme involves certain risks. Prospective investors of the Sukuk Ijarah should consider carefully, in the light of their own financial circumstances and investment objectives, the following factors, in addition to the matters set forth elsewhere in this Information Memorandum, prior to investing in the Sukuk Ijarah. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Sukuk Ijarah. However, neither the Issuer, the PA / LA nor the LM represents that the statements below regarding the risks of investing in any of the Sukuk Ijarah are complete or exhaustive. Prospective investors are strongly encouraged to undertake their own investigations and analysis on the Issuer and its business and risks associated with the Sukuk Ijarah Programme.

Prospective investors should read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

5.1 RISK RELATING TO THE STEEL MANUFACTURING INDUSTRY

5.1.1 Competition

The local steel manufacturing, sale and trading business operates in a highly competitive market due to the number of established market participants, potential new entrants as well as the volume of imported steel products. The influx of steel products from overseas, in particular China, has significantly increased the supply of steel products in Malaysia, resulting in depressed margins for local steel manufacturers in Malaysia.

As with all competitive situations, this may result in a loss in market share, reduction in the pricing of steel products, or increase in expenditures, any one of which could have a material impact on the Issuer's business. There is a risk that the Issuer may not be able to compete effectively against any other steel manufacturers.

Nonetheless, with the Chinese government's initiative to deal with closures of loss-making, outdated and excess steel-making capacity factories, steel prices worldwide have started to recover since the beginning of 2016. The Chinese government had also announced that China will, in line with its continuing anti-pollution campaign, continue to further phase out its steel production in 2018 to reduce up to 150,000,000 MT of steel production capacity by 2020. With China's steel production and export continue to decline, it is expected that steel prices will remain stable and the domestic steel demand will remain firm in the coming years. Additionally, the risk of cheap imports of steel products from China is mitigated via the existing import duty of 5% and the additional safeguard tariff of 13.42% imposed by the Ministry of International Trade and Industry. The continuation of the safeguard duties for the next 2 years remains a significant event that will stabilise the Issuer's earnings performance for the next few years.

In addition, while the Issuer seeks to remain competitive in terms of pricing, quality and strategic marketing, there is no assurance that such measures can effectively mitigate the potential adverse effects of competition on the Issuer's future financial performance and position.

5.1.2 Dependence on domestic construction industry

The Issuer's prime products of steel bars are primarily used in the construction industry. Accordingly, the demand for the Issuer's steel products is, to some extent, dependent on the performance and continue growth of domestic construction industry, which is driven by various factors beyond the Issuer's control and is also sensitive to the overall economic conditions in Malaysia. A decline in economic conditions may result in delays and cancellations of construction projects, which may have a cascading effect on the demand of the Issuer's steel products.

There is a slower demand of steel products due to weakness in the domestic property industry and the review of few prominent mega infrastructure projects by the Malaysian government. However, the Issuer is positive that the government will roll out more schools and affordable homes projects which will benefit the entire spectrum of Malaysians, which will in turn expected to mitigate the slower demand of steel products.

5.2 RISK RELATING TO THE ISSUER'S BUSINESS

5.2.1 Increase in the prices of raw materials and other operating costs

One of the major cost components for the Issuer's steel manufacturing is scrap metals. The Issuer uses scrap metal as the main feedstock for the production of its steel bars and steel billets.

The price of scrap metals is largely dependent on factors affecting its supply and demand, which include amongst others, the market condition for steel products and level of inventory (both locally and internationally). Furthermore, the supply of scrap metal may be affected by external factors such as delivery delays or other disruptions on a significant scale. Accordingly, an increase in the price of scrap metal may have an impact on the Issuer's operating results.

The Issuer's operations are also exposed to increases in utilities, labour, overheads and other costs that may result in lower margins, which may culminate in a need to increase the prices of its steel products. As steel prices are primarily market driven, any material increase in the aforesaid costs may have an impact on the Issuer's profit margins as there may be delays in passing on these additional costs to its customers by increasing the steel prices. Moreover, if the increase in cost is passed on to the customers, the Issuer's steel products may not be price competitive.

Nevertheless, any potential increase in costs will be mitigated by striving for higher production efficiency and output with the implementation of new technology packages and manpower retraining. The Issuer has implemented various on-going cost minimising strategies and yield-improvement projects such as implementation of hot charge of billets for rolling mills 1 & 2, thermo cooling, finishing, shear and extended cooling bed for rolling mill 2.

5.2.2 Disruptions in the supply of electricity and the supply of natural gas, oxygen and other industrial gases

The Issuer is dependent solely on the national power supplier to meet its daily electricity needs for its steel production.

In addition, the Issuer also uses large amount of natural gas, oxygen and other industrial gases for its steel production. The Issuer has been securing the supply of natural gas and the supply of oxygen along with other industrial gases from its sole supplier respectively.

Any significant disruption in the supply of electricity and the supply of natural gas, oxygen and other industrial gases could adversely affect the operating results of the Issuer.

Although there have been no material disruptions in the supply of electricity and the supply of natural gas, oxygen and other industrial gases as at to-date, we cannot assure that the supply of electricity and the supply of natural gas, oxygen and other industrial gases to our production facilities, which is to certain extent beyond our control, will not be subject to disruptions that may affect our operating results adversely in the future.

5.2.3 Foreign Exchange

The Issuer is exposed to foreign exchange risk as part of its sales and purchases are transacted in foreign currency, notably USD. As such, any significant fluctuations in exchange rates, particularly the USD, may have a significant impact, whether positively or negatively, on the revenue and future earnings of the Issuer.

To mitigate the foreign exchange volatility risk, the Issuer constantly monitors the foreign exchange market and the Issuer's foreign exchange exposure.

5.2.4 Dependence on operating licences

The Issuer has been granted with various licences, permits and certificates by various governmental authorities necessary for the Issuer to conduct its day-to-day operations. These licences, permits and certificates include amongst others, manufacturing licences issued by the Ministry of International Trade and Industry as well as standard compliance certificate (building materials) issued by Malaysian Construction Industry Development Board. Some of these licences, permits and certificates are subject to periodic renewals, inspections, changes and/or fulfilment of certain conditions imposed by the relevant governmental authorities.

Any non-renewal or revocation of the Issuer's licences, permits and certificates from the relevant governmental authorities or failure by the Issuer to obtain new licences, permits and certificates from the relevant governmental authorities (if so required) may have a material impact on the Issuer's ability to continue its operations and hence, may affect its profitability.

While the Issuer has not experienced any difficulty in renewing and/or maintaining these licences, permits and certificates in the past, there is no assurance that the relevant governmental authorities will renew the existing licences, permits and certificates and/or not impose any additional new terms or conditions in the future.

Further, to mitigate the risk of non-renewal or revocation, the Issuer will ensure continued compliance with the requirements of the licences, permits and certificates at all times.

5.2.5 Dependence on senior management and key personnel

The Issuer believes that its performance and continuing success depends, to a significant extent, on the abilities and continuing efforts of the Issuer's senior management and key personnel who have been instrumental to the Issuer's growth and expansion. The loss of any senior management and key personnel without suitable and timely replacement may affect the operations and could also adversely affect the Issuer's continued ability to compete in the steel manufacturing industry.

Nonetheless, the Issuer constantly strives to recruit and retain capable personnel as well as organise internal development programmes to enhance job performance and productivity. Efforts are also made to groom capable personnel to ensure smooth transition should changes occur.

5.2.6 Adequacy of insurance coverage

The Issuer believes that its business and assets are adequately insured against unforeseen events such as fire and accidents by employees. Although necessary measures have been taken to ensure that its business and assets are adequately covered by insurance, there is no assurance that the insurance coverage may be adequate to cover all potential losses of the Issuer and to indemnify the Issuer against all possible liabilities.

In the event that the amounts of any claims or losses exceeding the insurance coverage of its insurance policies, the Issuer may be liable to cover the amounts claimed or to

absorb the loss. If such events were to occur, the Issuer's financial performance and position may be materially and adversely affected.

There are also other risks such as natural disasters, riots, general strikes, acts of terrorism and other risks that cannot reasonably be insured against, which may adversely affect the Issuer's operation. However, its operations have not been affected by any of such events thus far.

5.3 RISKS RELATING TO THE SUKUK IJARAH

5.3.1 Ability to meet obligations under the Sukuk Ijarah

The ability of the Issuer to meet its payment obligations to the Sukukholders under the Sukuk Ijarah will depend on the Issuer's income and the strength of the Issuer's operation to generate sufficient and positive cashflows. The secondary source to meet its payment obligations to the Sukukholders will depend on its ability to successfully implement external fund raising exercise via equity or financing.

The Sukuk Ijarah will not be the obligations and responsibilities of any other person other than Issuer. In particular, the Sukuk Ijarah will not be the obligations or responsibilities of, or guaranteed by any of the PA / LA, the LM, the Facility Agent, the Sukuk Trustee, or their respective subsidiaries or affiliates, and any other person involved or interested in the transactions envisaged under the Sukuk Ijarah. None of such persons will accept any liability whatsoever to the Sukukholders in respect of any failure by the Issuer to pay any amount due under the Sukuk Ijarah.

The Sukuk Ijarah are, however, guaranteed by an irrevocable and unconditional Kafalah Guarantee to be provided by Danajamin to guarantee payment obligations of the Issuer in relation to the nominal value of the Sukuk Ijarah plus one profit / rental payment (except for payment obligations on compensation for late payment (Ta'widh) and other charges in respect of the Sukuk Ijarah Programme).

5.3.2 Credit rating of the Sukuk Ijarah

The Sukuk Ijarah has been accorded an indicative rating of AAA(IS)_(fig) by MARC.

A credit rating addresses the likelihood of full and timely payment of profit and principal to the Sukukholders. Nonetheless, a credit rating is not a recommendation to buy, hold or sell the Sukuk Ijarah and there is no assurance that such a credit rating will not be revised on a periodic review by MARC during the tenure of the Sukuk Ijarah Programme or that such a credit rating will not be withdrawn entirely if circumstances in the future so warrant. Further, such a rating is not a guarantee of repayment or that there will be no default by the Issuer under the Sukuk Ijarah.

In the event that the credit rating initially assigned to the Sukuk Ijarah is subsequently lowered, suspended or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Sukuk Ijarah.

Any reduction, suspension or withdrawal of a credit rating may have an adverse effect on the liquidity and market price of the Sukuk Ijarah.

5.3.3 The Kafalah Guarantee's limit

Whilst Danajamin will be providing Kafalah Guarantee, the amount of guarantee under the Kafalah Guarantee is limited to the nominal value of the Sukuk Ijarah issued and one (1) profit / rental payment. To the extent where there is any amount payable by the Issuer to the Sukukholders under the Sukuk Ijarah in excess of the guarantee limit, such amount

will not be guaranteed by Danajamin and will only represent unsecured obligation of the Issuer.

5.3.4 No prior market of the Sukuk Ijarah

The Sukuk Ijarah comprises a new issue of securities for which there is currently no established secondary market. There is no assurance that a secondary market for the Sukuk Ijarah will develop or, if it does develop, that it will provide the Sukukholders with liquidity of investment or that it will continue for the tenure of the Sukuk Ijarah. If a market develops, the market value of the Sukuk Ijarah may fluctuate, and a lack of liquidity, in particular can have a material adverse effect on the market value of the Sukuk Ijarah.

Any trading of the Sukuk Ijarah by the Sukukholders in any secondary market which may develop may be at a discount from the original issue price of the Sukuk Ijarah, depending on various factors, including the prevailing interest rates and the market for similar securities.

5.3.5 Market value of the Sukuk Ijarah may fluctuate

The market value of the Sukuk Ijarah may also be influenced by numerous factors, including but not limited to, the operating results and financial performance of the Issuer, political, economic, financial and any other factors that can affect the capital markets, the industry or the Issuer in general. Adverse economic and financial developments could have a material adverse effect on the market value of the Sukuk Ijarah.

5.3.6 Investment in the Sukuk Ijarah is subject to interest rate risk

The Sukukholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices. The Sukuk Ijarah may be similarly affected resulting in a capital loss for the Sukukholders. Conversely, when interest rates fall, bond prices (this include the prices at which the Sukuk Ijarah trade) may rise. The Sukukholders may enjoy capital gains but the profits received may be reinvested for lower returns.

5.3.7 Investment in the Sukuk Ijarah is subject to inflation risk

The Sukukholders may suffer erosion on the return of their investments due to inflation. The Sukukholders would have an anticipated rate of return on the purchase of the Sukuk Ijarah. An unexpected increase in inflation could reduce the actual real return.

5.3.8 Suitability of investments

The Sukuk Ijarah issued under the Sukuk Ijarah Programme may not be a suitable investment for all investors. Each potential investor in the Sukuk Ijarah must determine the suitability of the investment in light of its own circumstances.

In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk Ijarah, the merits and risks of investing in the Sukuk Ijarah and the information contained in this Information Memorandum;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk Ijarah and the impact the Sukuk Ijarah will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk Ijarah;

- (d) understand thoroughly the terms of the Sukuk Ijarah and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

5.3.9 Shariah compliance

Notwithstanding that the Shariah Adviser has provided a Shariah pronouncement on the structure and mechanism of the Sukuk Ijarah, case law in Malaysia indicates that the courts in Malaysia may still examine the issue of whether the Sukuk Ijarah is in compliance with Shariah principles.

There is no assurance that the pronouncement by the Shariah Advisor will not be subjected to challenge on grounds that the Sukuk Ijarah is not Shariah compliant. In the event the Sukuk Ijarah are held to be non-Shariah compliant, the recoverability of the profit / rental element and/or the Sukuk Ijarah nominal amount under the Sukuk Ijarah may be affected.

The transaction structure relating to the Sukuk Ijarah has been approved by the Shariah Adviser. Prospective Sukukholders should not rely on such approval in deciding whether to make an investment in the Sukuk Ijarah, nor as the basis for deciding whether each of the structure, the issue and the trading of the Sukuk Ijarah is in compliance with Shariah principles. In particular, any reference in this Information Memorandum to secondary trading of the Sukuk Ijarah is not to be taken as advice or confirmation that such trading is Shariah compliant. Prospective Sukukholders should obtain their own independent Shariah advice as to compliance with Shariah principles. No representation, warranty or undertaking, express or implied, is given by the Issuer as to the status of the Sukuk Ijarah's compliance with Shariah principles and the Issuer, the PA / LA, the LM and the Shariah Adviser shall not be liable for any consequences of such reliance and/or assumption of any such compliance.

5.4 POLITICAL, ECONOMIC AND REGULATORY RISKS

Similar with all businesses, adverse development in political, economic and regulatory conditions in the country could materially affect the financial and operation conditions as well as overall profitability of the Issuer. Other political and economic uncertainties include but not limited to changes in political relationship, the risk of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in rates of interest and methods of taxation. There is no assurance that these changes will not materially affect the business of the Issuer.

In addition, the structure of the transaction and the issue of the Sukuk Ijarah are based on Malaysian law, tax and administrative practices in effect as at the date hereof and having due regard to the expected tax treatment of all relevant statutes under such law and practices. There is no assurance that the Malaysian laws, tax or administrative practices will not change after the date of issue of the Sukuk Ijarah or that such change will not adversely impact the structure of the transaction and the treatment of the Sukuk Ijarah.

5.5 FORWARD-LOOKING STATEMENTS

Certain statements, information, estimates and reports in this Information Memorandum are based on historical data, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Issuer. Although the Board believes that these forward-looking statements are reasonable, the statements 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 future results, performance or achievements expressed or implied in such forward-looking statements.

In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer, the PA / LA, the LM or any of its advisers, and there is no assurance that the plans and objectives will be achieved.

(The remainder of this page is intentionally left blank)

SECTION 6 - INDUSTRY OVERVIEW

The information below is included for information purposes only and has not been independently verified by the Issuer, the PA / LA or the LM. All data and information below have been obtained from publicly available official sources of Malaysia. Neither the Issuer, any one of the PA / LA or the LM nor any other party will be held responsible for any information contained herein.

6.1 OUTLOOK AND ECONOMY OF MALAYSIA

6.1.1 The Malaysian economy in 2017

In 2017, the Malaysian economy recorded a robust growth of 5.9% (2016: 4.2%), supported by faster expansion in both private and public sector spending. A key highlight for the year was the rebound in gross exports growth as global demand strengthened. This was due mainly to higher demand from major trading partners following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in commodity prices.

While real gross domestic product growth was boosted by the external sector, domestic demand continued to anchor growth. In particular, private consumption growth strengthened to 7.0% in 2017 (2016: 6.0%), supported mainly by continued wage and employment growth, with additional impetus from government measures.

Public consumption grew by 5.4% (2016: 0.9%) due to higher spending on supplies and services by the Federal Government amid sustained growth of emoluments. Public investment recovered to grow at 0.1% (2016: -0.5%), supported by continued spending by the General Government and public corporations.

Private investment growth accelerated to 9.3% (2016: 4.3%) as firms benefited from the conducive and domestic operating environment.

On the supply side, most sectors registered higher growth in 2017. Malaysia's growth performance remained principally driven by the services and manufacturing sectors, which benefited from marked improvements in domestic and external conditions.

Growth in the services sector expanded at a faster pace of 6.2% (2016: 5.6%) amid broad-based improvements across most sub-sectors. On the consumer front, better labour market conditions and improving consumer sentiments lifted growth in the retail, food and beverages and accommodation and motor vehicles sub-sectors. The finance and insurance sub-sector registered higher growth, benefitting from the strong pick-up in capital market activity, particularly from initial public offerings. In the transport and storage sub-sector, growth was supported by stronger trade and air passenger traffic growth. Growth in information and communication sub-sector was also higher, reflecting higher demand for data communication and computer services.

The manufacturing sector expanded further in 2017 at 6.0% (2016: 4.4%), driven by higher growth in the domestic-oriented industries and continued expansion in the export-oriented industries.

The construction sector registered a moderate growth of 6.7% (2016: 7.4%). Growth was supported mainly by the civil engineering sub-sector, due to steady progress of large petrochemical, transportation, and utility projects.

Argiculture production growth rebounded to 7.2% (2016: -5.1%), driven mainly by a turnaround in crude palm oil production, as yields recovered from the negative impact of El Niño in 2016.

For the Malaysian economy in 2018, it is expected that domestic demand will continue to be the anchor of growth, underpinned by private sector activity. Private consumption growth is expected to remain sustained, supported by continued growth in employment and income, lower inflation and improving sentiments. Private investment growth will also be sustained, underpinned by ongoing and new capital spending in both the manufacturing and services sector, and strengthened by continued positive business sentiments. Public sector expenditure is projected to decline due to the contraction in public investment amid more moderate growth in public consumption.

(Source: Bank Negara Malaysia Annual Report, 2017)

6.1.2 Outlook for the Malaysian economy in 2018

The Malaysian economy expanded by 5.4% in the first quarter of 2018 (4Q 2017: 5.9%), driven by continued growth in private sector spending (5.2%; 4Q 2017: 7.4%) and strong growth in net exports (62.4%; 4Q 2017: 2.3%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (4Q 2017: 1.0%).

Domestic demand recorded a moderate growth of 4.1% (4Q 2017: 6.2%), due to lower growth of private sector expenditure (5.2%; 4Q 2017: 7.4%) and a marginal decline in public sector spending (-0.1%; 4Q 2017: +3.4%).

Private consumption registered a sustained growth of 6.9% (4Q 2017: 7.0%), supported by continued strength in wage and employment growth.

Growth of private investment moderated to 0.5% (4Q 2017: 9.2%). Private investment was weighed down by lower capital spending in structures, particularly in residential and commercial properties, and machinery and equipment during the quarter. On a sectoral basis, private investment was supported mainly by the services sector, particularly the education and healthcare sub-sectors.

Public consumption growth was lower at 0.4% (4Q 2017: 6.8%) on account of lower expenditure on supplies and services.

Public investment continued to decline in the first quarter (-1.0%; 4Q 2017: -1.4%), attributed to the contraction in spending on fixed assets by public corporations. The lower capital spending by public corporations was due mainly to the near completion of a few large-scale projects.

(Source: Quarterly Bulletin: Economic and Financial Developments in the Malaysian Economy in the 1st Quarter of 2018, Bank Negara Malaysia)

The Malaysian economy expanded at a slower pace of 4.5% in the second quarter of 2018 (1Q 2018: 5.4%). Growth was slower on account of supply disruptions in the mining sector and lower agriculture production. The latter is due to supply constraints and adverse weather conditions. On the demand side, growth was dampened by lower public investment and net export growth. Private sector spending remained resilient, expanding further by 7.5% (1Q 2018: 5.2%). In particular, private consumption increased strongly by 8.0% (1Q 2018: 6.9%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.3% (1Q 2018: 1.4%).

Domestic demand recorded a stronger growth of 5.6% (1Q 2018: 4.1%), as the higher private sector activity (7.5%; 1Q 2018: 5.2%) offset the decline in public sector spending (-1.4%; 1Q 2018: -0.1%).

Private consumption expanded at a stronger pace of 8.0% (1Q 2018: 6.9%), the highest since the 1st quarter of 2015. This was driven by continued strength in income and employment. Consumer spending was also boosted by the lower inflation during the quarter following the zerorisation of the GST rate and stronger consumer sentiments.

Private investment growth was higher at 6.1% (1Q 2018: 0.5%), driven mainly by capital spending in the manufacturing and services sectors. The better performance was supported by positive business sentiments, favourable demand conditions and continued high capacity utilisation during the quarter.

Public consumption registered a higher growth of 3.1% (1Q 2018: 0.4%), supported by improvement in supplies and services and sustained growth in emoluments.

Public investment continued to contract during the quarter (-9.8%; 1Q 2018: -1.0%). This was in part due to the near completion of ongoing projects and lower Federal Government development expenditure.

(Source: Quarterly Bulletin: Economic and Financial Developments in the Malaysian Economy in the 2nd Quarter of 2018, Bank Negara Malaysia)

6.2 OVERVIEW AND OUTLOOK OF THE STEEL MANUFACTURING SECTOR

Value added of the manufacturing sector expanded further by 5.8% during the first half of 2017 (January – June 2016: 4.4%) with expansion across a wide range of outputs in both the export- and domestic-oriented industries. During the first eight months, production increased 6.4%, while sales rebounded significantly by 15.6% to RM500.2 billion (January – August 2016: 4%; -0.7%; RM432.8 billion). Output of export-oriented industries rose 6.5% (January – August 2016: 4.3%) led by an upturn in global electronics cycle and further enhanced by strong demand for resource-based products. Meanwhile, domestic-oriented industries expanded 6.2% (January – August 2016: 3.4%) benefiting from vibrant consumption and construction activities.

Within the domestic-oriented industries, output of construction-related materials recorded a sustained growth of 4.8% (January – August 2016: 4.8%). Growth was led by higher production of basic metal (4.2%), particularly basic iron and steel which rebounded 6.2% (January – August 2016: 1.9%; -1.4%). Likewise, both non-metallic mineral and fabricated metal products grew 5.4% and 4.6%, respectively (January - August 2016: 6.3%; 5.6%) supported by increased demand for fabricated construction materials and concrete, cement and plaster following vibrant construction activities.

Within the export-oriented industries, electrical and electronic (“E&E”) output expanded 9.3% while sales surged 16.3% to RM169.5 billion (January – August 2016: 6.8%; 9%; RM145.8 billion). Growth emanated mainly from the expansion in output of printed circuit boards, semiconductor devices and electronic integrated circuits which strengthened further by 24.4%, 11.9% and 16.9% (January – August 2016: 11.9%; 5.9%; 15%), respectively. This is in line with the trend in global semiconductor sales which is expected to expand 11.5% in 2017, the highest level since 2010. On the contrary, the output of computers and peripheral equipment contracted 7.7% (January – August 2016: 3.1%) as a result of lower demand for notebooks and personal computers following rising preferences for smartphones and tablets. Meanwhile, consumer electronics grew at a moderate pace of 2.6% (January – August 2016: 5.3%) partly due to lower demand for in-car entertainment, portable media players and digital cameras.

Non-E&E exports posted a stronger growth of 20.9% (January - August 2016: 5%) with almost all subsectors exhibiting positive performance. Export receipts from petroleum products rebounded significantly by 43.6% (January – August 2016: -3.6%) following increased demand, particularly from Indonesia (135.2%), China (96.4%), Australia (73.7%) and Singapore (24.5%). Strong performance was recorded in refined petroleum products (34.7%) as well as petroleum gases and gaseous hydrocarbon (41%). Exports of chemicals and chemical products rose sharply by 18.3% (January – August 2016: 6.6%) led by organic chemicals and plastics in primary form, which expanded 25.9% and 13.3%, respectively. Demand was notably higher from China, Indonesia, Japan, Singapore and Thailand.

Exports of machinery, equipment and parts grew 6.9% (January – August 2016: 11.7%) backed by strong demand for specialised machinery in specific industries (7.1%) as well as power generating machinery and equipment (38.2%). Higher exports were recorded to Singapore,

Thailand and the United States. Receipts from iron and steel products rebounded significantly by 102% (January – August 2016: -36.7%) following increased construction-related activities in the region. Among major export markets for iron and steel products include India, Indonesia, Mexico, Singapore and Thailand.

The manufacturing sector is forecast to increase 5.3% in 2018 (2017: 5.5%). Output of export-oriented industries is projected to expand on account of sustained demand for E&E, refined petroleum and woods product. Likewise, growth in the domestic-oriented industries is anticipated to remain resilient supported by ongoing construction of infrastructure projects, as well as strong demand for consumer products especially food and transport equipment.

(Source: Economic Report 2017/2018, Ministry of Finance Malaysia)

In 2017, Malaysia was the world's eighteenth-largest steel importer. Malaysia imported 7.6 million metric tons of steel in 2017, a 15% decrease from 8.9 million metric tons in 2016. Malaysia's imports represented about 2% of all steel imported globally in 2016, based on available data. The volume of Malaysia's 2017 steel imports was more than a third the size of the world's fourth-largest and Asia's largest importer, South Korea. In value terms, steel represented just 2.8% of the total goods imported into Malaysia in 2017.

Flat products accounted for 54% of Malaysia's steel imports by volume in 2017, with a total of 4.1 million metric tons. Long products represented 26% of Malaysia's imports, with 2 million metric tons. Pipe and tube steel products moved up to the third position at 9% of the total import share (722 thousand metric tons), followed by stainless steel products at 7% of Malaysia's imports (515 thousand metric tons) and lastly semi-finished steel at 4% of steel imports (300 thousand metric tons).

Malaysia's crude steel production decreased by 45% between 2009 and 2016. Between 2015 and 2016, production decreased 27% to 2.8 million metric tons. Demand grew by 64% between 2009 and 2016, and between 2015 and 2016, demand grew by 6 percent. With rising import levels, over three times as large as Malaysia's production in 2016, imports contribute substantially to steel demand. Import penetration increased nearly every year since 2009, peaking at 86.5% in 2016. In 2016, import penetration increased 7.3% points from 79.2% in 2015.

(Source: Global Steel Trade Monitor (Steel Imports Report: Malaysia) April 2018, International Trade Administration)

Steel consumption in ASEAN-6 contracted in 2017 largely due to the slowdown in construction sector as well as the destocking activities in countries like Thailand, Vietnam and Malaysia. According to data from the newly released 2018 South East Asia Iron and Steel Institute ("SEAFISI") Steel Statistical Yearbook, total apparent steel consumption in the 6 ASEAN member countries of SEAFISI i.e. Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam dipped 4.1% year-on-year to 73.8 million tonnes in 2017.

Malaysia's annual steel consumption had consistently stayed in the region of 10 million tonnes since 2013. However, after a 7.9% year-on-year drop in steel demand in 2017, total steel consumption in Malaysia dipped below 10 million tonnes to 9.4 million tonnes. Malaysia has, for the first time, fallen behind Philippines in annual steel consumption volume.

(Source: SEAFISI Newsletter, July 2018)

SECTION 7 - OTHER MATERIAL INFORMATION

7.1 MATERIAL CONTRACTS

Neither the Issuer nor any of its subsidiaries has entered into any material contracts (not being contracts entered into in the ordinary course of business) which are or may be material within the past 2 years immediately preceding the LPD, save as disclosed below:

Subscription Agreement dated 17 July 2017

On 17 July 2017, the Issuer had agreed to grant Macquarie Bank Limited (“Investor”) (i) the right to initially subscribe up to 14,500,000 new ordinary shares; and (ii) the conditional right to further subscribe up to 9,800,000 new ordinary shares in the Issuer.

Further to this Subscription Agreement, the Issuer and the Investor had on 30 October 2017 entered into a Supplemental Subscription Agreement to vary the terms contained in the Subscription Agreement. In the Supplemental Subscription Agreement, the Issuer had agreed to grant the Investor (i) the right to initially subscribe up to 14,500,000 new ordinary shares; (ii) the right to further subscribe up to 5,000,000 new ordinary shares; and (iii) the conditional right to further subscribe up to 4,800,000 new ordinary shares.

As at LPD, the Investor has fully subscribed 24,300,000 ordinary shares in the Issuer and the Issuer has raised a total of RM27,627,175.00 from the allotment.

7.2 MATERIAL LITIGATION

As at LPD, neither the Issuer nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the Group, or of any fact likely to give rise to any proceedings which may adversely affect the Group.

7.3 MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at LPD, the Board is not aware of any material commitments and contingent liabilities incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material adverse effect on the Group, save as disclosed below:

	Group	
	FYE 31 December 2017 RM	FPE 30 September 2018 RM
Bank guarantees issued in favour of third parties	11,647,638	16,167,638

7.4 CONFLICT OF INTEREST SITUATIONS AND APPROPRIATE MITIGATING MEASURES

7.4.1 Kuwait Finance House (Malaysia) Berhad

KFHMB is the PA / LA, the LM, the Facility Agent and the Shariah Adviser for the Sukuk Ijarah Programme.

KFHMB has, in its ordinary course of business and on arms' length basis, extended the following credit facilities to the Issuer:

- (a) KFH Tradeline Facility of RM70 million;

- (b) KFH Foreign Exchange Facility of RM5 million; and
- (c) KFH Kafalah Bank Guarantee-i Facility with a limit of up to RM52 million to provide counter guarantee to Danajamin in relation to its Kafalah Facility. KFHMB was also appointed as the escrow agent and security agent for this Kafalah Facility.

Save as disclosed above, after making enquiries as were reasonable in the circumstances, KFHMB is not aware of any existing or potential conflict of interest or any circumstances which could give rise to a conflict of interest by virtue of its roles as the PA/LA, the LM, the Facility Agent and the Shariah Adviser for the Sukuk Ijarah Programme.

Mitigating Measures

The following are mitigating measures for any potential conflict of interests that may arise:

- (a) KFHMB is a licensed Islamic bank and its appointment as the PA / LA, the LM, Facility Agent and the Shariah Adviser for the Sukuk Ijarah Programme is in its ordinary course of business;
- (b) The conduct of KFHMB in its banking business is strictly regulated by the Financial Services Act 2013, the Islamic Financial Services Act 2013, the CMSA and KFHMB's own internal controls and checks;
- (c) Each of the abovementioned roles shall be governed by relevant and legally binding agreements between KFHMB and the relevant parties, specifying the respective functions, responsibilities, procedures and priorities; and
- (d) Due diligence review pursuant to the Sukuk Ijarah Programme has been undertaken by professional and independent advisers.

Notwithstanding the potential conflict of interest, the Board is agreeable to proceed with the implementation of the Sukuk Ijarah Programme.

7.4.2 Jeff Leong Poon & Wong

Jeff Leong Poon & Wong are the solicitors to the PA / LA, the LM, the Facility Agent and the Shariah Adviser for the Sukuk Ijarah Programme.

As at the date hereof and after making enquiries as were reasonable in the circumstances, Jeff Leong Poon & Wong are not aware of any existing or potential conflict of interest or any circumstances which could give rise to a conflict of interest by virtue of their role as the solicitors to the PA / LA, the LM, the Facility Agent and the Shariah Adviser for the Sukuk Ijarah Programme.

7.4.3 AmanahRaya Trustees Berhad

AmanahRaya Trustees Berhad is the Sukuk Trustee for the Sukuk Ijarah Programme.

As at the date hereof and after making enquiries as were reasonable in the circumstances, AmanahRaya Trustees Berhad is not aware of any existing or potential conflict of interest or any circumstances which could give rise to a conflict of interest by virtue of its role as the Sukuk Trustee for the Sukuk Ijarah Programme.

APPENDIX I

PRINCIPAL TERMS AND CONDITIONS OF THE SUKUK IJARAH PROGRAMME

APPENDIX II

**AUDITED FINANCIAL STATEMENT OF THE ISSUER FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2017**

THE ISSUER

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.

PRINCIPAL ADVISER / LEAD ARRANGER

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

Level 26, Menara Prestige,
1, Jalan Pinang,
50450 Kuala Lumpur, Malaysia.

SHARIAH ADVISER

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

Level 26, Menara Prestige,
1, Jalan Pinang,
50450 Kuala Lumpur, Malaysia.

SUKUK TRUSTEE

AMANAHRAYA TRUSTEES BERHAD

Level 2, Wisma AmanahRaya II,
No 21 Jalan Melaka,
50100 Kuala Lumpur.

SOLICITORS TO THE PRINCIPAL ADVISER AND LEAD ARRANGER

JEFF LEONG, POON & WONG

B-11-8, Level 11,
Megan Avenue II,
Jalan Yap Kwan Seng,
50450 Kuala Lumpur.