

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

In line with the provision of Practice Note 18/2005, Bursa Malaysia Securities Berhad has not perused Part B of this Circular prior to the issuance of this circular as the Proposed Share Buy-Back fall under the category of Exempt Circulars as outlined in the aforesaid practice note.

Masteel

MALAYSIA STEEL WORKS (KL) BHD

www.masteel.com.my

(7878-V)

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

In Relation To

PART A

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

PART B

PROPOSED SHARE BUY-BACK OF UP TO 23,183,233 ORDINARY SHARES OF RM0.50 EACH UNDER SCENARIO A IN PARAGRAPH 6.1(a) OF THIS CIRCULAR, OR UP TO 21,075,666 ORDINARY SHARES OF RM0.50 EACH UNDER SCENARIO B IN PARAGRAPH 6.1(a) OF THIS CIRCULAR, REPRESENTING UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY UNDER SCENARIO A AND SCENARIO B RESPECTIVELY

*The resolutions pertaining to the above proposals are set out in the Notice of the Company's Thirty-Eight Annual General Meeting which is attached in the Annual Report 2009 of the Company together with the Form of Proxy. The Thirty-Eight Annual General Meeting of the Company will be held at Rebana 2 & 3, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on **Thursday, 24 June 2010 at 3.00 p.m.** Please complete and return the Form of Proxy in accordance with the instructions therein as soon as possible so as to arrive at the Registered Office of the Company not later than 48 hours before the time set for holding the meeting. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.*

*Last date and time for lodging the Form of Proxy: **22 JUNE 2010 before 3.00 pm.***

*This Circular is dated **2 JUNE 2010***

Messrs Gurdial Bakan Singh
Advocates & Solicitors

DEFINITIONS

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

AGM	:	Annual General Meeting
Articles	:	Articles of Association of the Company
Bursa Securities	:	Bursa Malaysia Securities Berhad
Company	:	Malaysia Steel Works (KL) Bhd (7878-V) or “MASTEEL”
CA	:	Companies Act 1965
CMSA	:	Capital Markets and Services Act 2007
Director(s)	:	The Directors of our Company for the time being, and shall have the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer or any other company which is a subsidiary or holding company or a chief executive officer of the listed issuer, its subsidiary or holding company.
Group	:	Malaysia Steel Works (KL) Bhd and its subsidiaries
Listing Requirements	:	Listing Requirements of Bursa Securities including any amendments thereto that maybe made from time to time.
Mandated Related Party	:	As in paragraph 3.3
Major Shareholder	:	Means a person who has an interest or interests in one or more voting shares in a company and the nominal amount of that share or the aggregate of the nominal amounts of those shares, is :- (a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the Company and including any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or any other company which is its subsidiary or holding company. For the purpose of this definition, “interest in shares” shall have the meaning given in section 6A of the CA.
NA	:	Net Assets attributable to ordinary equity holders of the listed issuers.
Proposed RRPT Mandate	:	Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions for the Company and its subsidiaries in its normal course of business and on terms not more favourable than those generally available to the public to enter into the transactions set out in paragraph 3.4 of this Circular with persons who are considered to be “related parties” as defined in Chapter 10 of the Listing Requirements.
Related Party	:	Director, major shareholder or persons connected with such Director or major shareholder. For the purpose of this definition, “director” and “major

shareholder” shall have the meanings given in paragraph 10.02 of the Listing Requirements.

Related Party Transaction	:	Transactions entered into by the Company and/or its subsidiaries which involves the interest, direct or indirect, of a Related Party.
RRPT	:	Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and its subsidiaries and are on normal commercial terms not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.
RRPT Mandate	:	Shareholders’ mandate for the Company and its subsidiaries to enter into Recurrent Related Party Transactions.
RM	:	Ringgit Malaysia
Shares	:	Ordinary shares of RM0.50 each of the Company

TABLE OF CONTENTS

DIRECTORS' LETTER TO THE SHAREHOLDERS CONTAINING:

PART A: PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

	Page
1. INTRODUCTION	7
2. APPROVAL REQUIRED	8
3. DETAILS OF PROPOSED RRPT MANDATE (FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE)	8
3.1 Part E, Paragraph 10.09 and 10.08 of the Listing Requirements	8
3.2 Shareholders' RRPT Mandate	9
3.3 Class of Related Party	10
3.4 Nature of RRPT and Estimated Annual Value	10
3.5 Nature and Extent of Interest	10
3.6 Rationale for, and the benefit to, the Group for transacting with the Mandated Related Party	11
3.7 Review Methods or Procedures for Related Party Transactions	11
3.8 Audit Committee's Statements	12
3.9 Estimated Value and Actual Value of the RRPT's	12
4. INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS	13
4.1 Interested Directors' Shareholdings	13
4.2 Interested Major Shareholders	13
4.3 Statements in relation to Interested Parties	13
5. DIRECTORS' RECOMMENDATION	14
6. ANNUAL GENERAL MEETING	14
7. FURTHER INFORMATION	14

PART B: PROPOSED SHARE BUY-BACK OF UP TO 23,183,233 ORDINARY SHARES OF RM0.50 EACH UNDER SCENARIO A IN PARAGRAPH 6.1(a) OF THIS CIRCULAR, OR UP TO 21,075,666 ORDINARY SHARES OF RM0.50 EACH UNDER SCENARIO B IN PARAGRAPH 6.1(a) OF THIS CIRCULAR, REPRESENTING UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY UNDER SCENARIO A AND SCENARIO B RESPECTIVELY

1. INTRODUCTION	16
2. SHAREHOLDERS AUTHORITY REQUIRED	17
3. DETAILS OF THE PROPOSED SHARE BUY-BACK	17
3.1 General	17
3.2 Actual Share Buy-Back	17
3.3 Funding	17
3.4 Treatment of the Shares Purchased	17
3.5 Purchase Price	18
3.6 Resale Price (if any)	18
4. RATIONALE OF THE PROPOSED SHARE BUY-BACK	18

TABLE OF CONTENTS (Cont'd)

	Page
5. POTENTIAL DISADVANTAGE OF THE PROPOSED SHARE BUY-BACK	19
6. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK	19
6.1 Share Capital	19
6.2 Working Capital	20
6.3 Earnings	20
6.4 NA per Share	20
6.5 Dividends	20
6.6 Shareholdings	20
7. CONDITION TO THE PROPOSED SHARE BUY-BACK	20
8. DETAILS OF PURCHASE MADE IN THE PREVIOUS 12 MONTHS	21
9. DETAILS OF SHARES CURRENTLY HELD AS TREASURY SHARES	21
10. DETAILS OF SHARES CANCELLED IN THE PREVIOUS 12 MONTHS	21
11. DETAILS OF SHARE PRICES IN THE PRECEDING 12 MONTHS	21
12. PUBLIC SHAREHOLDING SPREAD	21
13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	21
14. MALAYSIAN CODE ON TAKE-OVER AND MERGERS	21
15. DIRECTORS' RECOMMENDATION	21
16. ANNUAL GENERAL MEETING	22
17. FURTHER INFORMATION	22
 APPENDIX 1 – FURTHER INFORMATION	
1. RESPONSIBILITY STATEMENT	23
2. MATERIAL LITIGATION	23
3. MATERIAL CONTRACTS	24
4. CONSENT	24
5. DOCUMENTS FOR INSPECTION	24
 APPENDIX 2	
1. DIRECTORS' SHAREHOLDINGS	25
2. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS	26
 APPENDIX 3	
SUMMARY OF HIGH AND LOW OF MASTEEL'S SHARE PRICES PER SHARE	27

PART A

***PROPOSED RENEWAL OF
SHAREHOLDERS' MANDATE
FOR RECURRENT RELATED
PARTY TRANSACTIONS***

MALAYSIA STEEL WORKS (KL) BHD
(7878-V)
(Incorporated in Malaysia)

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

2 June 2010

Board of Directors:

YBHG. DATO' IKHWAN SALIM BIN DATO' HJ SUJAK
(Non-Independent Non-Executive Chairman)

YG BHG. DATO' SRI TAI HEAN LENG @ TEK HEAN LENG
(Managing Director / Chief Executive Officer)

LEE KEAN BINH
(Executive Director)

LAU YOKE LEONG
(Executive Director)

LIM HOO TECK
(Independent Non-Executive Director)

NG WAH LOK
(Independent Non-Executive Director)

MUHAMMAD HANIZAM BIN HJ BORHAN
(Independent Non-Executive Director)

To: **The Shareholders of Malaysia Steel Works (KL) Bhd**

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

On 18 June 2009, the Company had obtained shareholders' approval for a general mandate for the Company and its subsidiaries to enter into RRPT in the ordinary course of business of a revenue or trading nature which are necessary for the day-to-day operations of the Company and its subsidiaries based on normal commercial terms not more favourable to the Mandated Related Party than those generally available to the public and which are not to the detriment of the minority shareholders of the Company. The actual value of the RRPT transacted, from 18 June 2009 up to the last practicable date before printing of this Circular is as stated in paragraph 3.9 of this Circular.

The said existing mandate for RRPT shall lapse at the conclusion of the forthcoming AGM unless its renewal is obtained from the shareholders at the forthcoming AGM.

The Board proposes to seek the approval of Shareholders for the renewal of the RRPT Mandate for the Company and its subsidiaries in its normal course of business, to enter into transactions set out in paragraph 3.4 below with persons who are considered to be "Related Party" as defined in Chapter 10 of the Listing Requirements.

The Company had on 25 May 2010 made the announcement to Bursa Securities pertaining to the above-mentioned Proposed RRPT Mandate.

2. APPROVAL REQUIRED

The purpose of this Circular is to provide Shareholders with details pertaining to the Proposed RRPT Mandate and to seek shareholders' approval for the resolution to be tabled at the forthcoming AGM to be convened on Thursday, 24 June 2010 at 3.00 p.m. at Rebana 2 & 3, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan.

3. DETAILS OF THE PROPOSED RRPT MANDATE

3.1 Part E, Paragraph 10.09 and 10.08 of the Listing Requirements

The details of the RRPT pursuant to Part E, Paragraph 10.09, which should be read in conjunction with Paragraph 10.08 of the Listing Requirements to be dealt with at the forthcoming AGM, are as follows:

Recurrent Related Party Transactions

Under Part E, Paragraph 10.09(2) of the Listing Requirements, where related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations such as supplies of materials within the Group with a related party, listed issuer may seek a shareholders' mandate in respect of such transactions subject to the following:

- (a) The transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) The shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under paragraph 10.09(1) of the Listing Requirements, specifically:
 - (i) in relation to a listed issuer with an issued and paid-up capital of RM60 million and above -
 - the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions is RM1 million or more; or
 - the percentage ratio of such Recurrent Related Party Transaction is 1% or more,whichever is the higher; or
 - (ii) in relation to a listed issuer with an issued and paid-up capital which is less than RM60 million -
 - the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transaction is RM1 million or more; or
 - the percentage ratio of such Recurrent Related Party Transaction is 1% or more,whichever is the lower.
- (c) Issuing of Circular to shareholders by the listed issuer which includes information as may be prescribed by Bursa Securities (which shall include the information set out in Annexure PN12-A of Practice Note No. 12). The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with the said Annexure PN12-A of Practice Note No. 12; and
- (d) In a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder must not vote on the resolutions approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

- (e) the listed issuer immediately announces to the Exchange when the actual value of a Recurrent Related Party Transaction entered into by the listed issuer, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the circular by 10% or more and must include the information as may be prescribed by the Exchange in its announcement.

Notwithstanding obtaining a Mandate, a listed issuer must immediately announce to the Exchange a Recurrent Related Party Transaction as follows:

- (i) in relation to a listed issuer with an issued and paid-up capital of RM60 million and above -
- the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions is RM1 million or more; or
 - the percentage ratio of such Recurrent Related Party Transaction is 1% or more,
- whichever is the higher; or
- (ii) in relation to a listed issuer with an issued and paid-up capital which is less than RM60 million -
- the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transaction is RM1 million or more; or
 - the percentage ratio of such Recurrent Related Party Transaction is 1% or more,
- whichever is the lower.

Where the Company has procured shareholders' mandate as stated above, the provisions of Paragraph 10.08 of the Listing Requirements shall not apply.

Principal Business

The principal activity of the Company is manufacturing of steel bars and steel billets.

The principal activities of the Company's subsidiaries are:

No	Name of Company	%	Principal Activities
1.	Steel Dynamics (M) Sdn Bhd	100	Dormant
2.	Bio Molecular Industries Sdn Bhd	100	Manufacturing and research and development of radioisotopes and radiopharmaceuticals products

3.2 Shareholders' RRPT Mandate

The Board are seeking approval from shareholders for the Proposed RRPT Mandate, which shall be valid until either of the events in (a)-(c) below occurs first, which will allow the Company and its subsidiaries, in its normal course of business, to enter into the categories of RRPT referred to in paragraph 3.4 below, with the class of Mandated Related Party as set out in paragraph 3.3 below, provided that such transactions, if any, are made at arm's length with the Company and its subsidiaries on normal commercial terms not more favourable to the Mandated Related Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The RRPT Mandate is subject to annual renewal and shall only continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM of the Company at which the Proposed RRPT Mandate will be tabled;
- (b) the expiration of the period within which the next AGM of the Company after that date it is required to be held pursuant to Section 143(1) of the CA (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the CA); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

Thereafter, shareholders' approval for a renewal of the Proposed RRPT Mandate will be sought at each subsequent AGM of the Company.

3.3 Class of Related Party

The Proposed RRPT Mandate will apply to the following class of Related Party:

No.	Mandated Related Party	Place of Incorporation	Principal Activity
1.	Soon Seng Co (Penang) Sdn Bhd	Malaysia	Retailing of general hardware, petroleum products, cement based products, building material and transportation.

3.4 Nature of RRPT and Estimated Annual Value

The type of RRPT to be covered by the Proposed RRPT Mandate relates principally to the following and such transactions are necessary for the day-to-day operations and are in the ordinary course of business of the Company and its subsidiaries:-

No.	Type of Transactions	Mandated Related Party	Interested Director, Major Shareholder and Person Connected	Estimated value during the validity period of the RRPT Mandate from 24 June 2010 to the next AGM (RM'000)	
				Charged by	Charged To
1.	Purchase of the following:- - scrap metal - diesel/ petroleum products - galvanized colour sheet & coils	Soon Seng Co (Penang) Sdn Bhd	<ul style="list-style-type: none"> • Dato Sri Tai Hean Leng @ Tek Hean Leng • TYY Resources Sdn Bhd • Tai May Chean • Lee Kean Binh • Estate of Tai Ho Seng @ Teh Hoo Sing • Estate of Tai Chet Siang 	20,000	-

Note:

The estimated value of the transactions during the validity period of the RRPT Mandate are based on the information available at the point of estimation based on the projection of the business to be conducted in the coming year after taking into consideration the prevailing market rates. Due to the nature of the transactions, the actual value of the transactions may vary from the estimated value disclosed above. The frequency of the transactions cannot be detailed as the transactions are ongoing and numerous.

3.5 Nature and Extent of Interest

The nature and extent of the interest of the Interested Directors, Major Shareholders and Persons Connected as stated in the preceding table are as follows:

- TYY Resources Sdn Bhd is a major shareholder in Soon Seng Co (Penang) Sdn Bhd.
- Dato' Sri Tai Hean Leng @ Tek Hean Leng is the brother of Tai May Chean.

- c. Dato' Sri Tai Hean Leng @ Tek Hean Leng, Tai May Chean, Estate of Tai Ho Seng @ Teh Hoo Sing and the Estate of Tai Chet Siang are major shareholders in TYY Resources Sdn Bhd.
- d. TYY Resources Sdn Bhd is a major shareholder holding 30.40% direct shareholding in MASTEEL as at 2 May 2010.
- e. Tai Ho Seng @ Teh Hoo Sing (deceased) is the uncle of Dato' Sri Tai Hean Leng @ Tek Hean Leng and Tai May Chean.
- f. Lee Kean Binh is a Director of TYY Resources Sdn Bhd.

3.6 Rationale for, and the benefit to, the Group for transacting with the Mandated Related Party

The Company relationship with the Mandated Related Party

The Company has a long-standing business relationship of more than 7 years with the Mandated Related Party. The Mandated Related Party is a good customer of the Company as well as a reliable supplier of raw materials, goods and services required by the Company for its businesses. The raw materials and goods provided by the Mandated Related Party is priced competitively and all transactions between the Company and the Mandated Related Party are carried out at arm's length basis and on normal commercial terms not more favourable to the Mandated Related Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company. The raw materials, goods and services can also be obtained from the Mandated Related Party even when short notice is given to them, in order to meet the tight deadlines of the Company's business. Although the Company also sources similar raw materials, goods and services from third parties, the Company would like to seek Shareholders' approval for the Proposed RRPT Mandate as the close co-operation between the Company and the Mandated Related Party has reaped mutual benefits and has been and is expected to continue to be of benefit to the businesses of the Company. Further, the Company can enjoy the lowest cost through bulk purchase arrangement and obtain the materials at short notice while maintaining the prevailing market prices.

The benefit of the RRPT Mandate

The obtaining of the RRPT Mandate and the renewal of the RRPT Mandate on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when the potential RRPT with a Mandated Related Party arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and/or adversely affecting the business opportunities available to the Company.

The RRPT Mandate is intended to facilitate transactions in the normal course of business of the Company which are transacted from time to time with the Mandated Related Party, provided that they are carried out at arm's length and on normal commercial terms not more favourable to the Mandated Related Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

3.7 Review Methods or Procedures for Related Party Transactions

The Company implements the following procedures to supplement existing internal procedures for general transactions to ensure that the RRPT are undertaken on arm's length basis and on normal commercial terms not more favourable to the Mandated Related Party than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

- (i) The name of the Mandated Related Party will be circulated to the Company's subsidiaries to notify them that all RRPT are required to be undertaken at arm's length basis and on normal commercial terms not more favourable to the Mandated Related Party than those generally available to the public and are not to the detriment of the minority shareholders;
- (ii) All RRPT will be reviewed by a management committee comprising of at least one (1) executive director and two (2) senior management staff. In respect of the procurement arising out of RRPT's only, the said management committee is authorized to approve the RRPT's for any amount.

For the purpose of RRPT procurement only, senior management staff will be taken to mean the following: Managing Director / Chief Executive Officer, Executive Director, General Manager, Operations Manager, and the Senior Finance Manager.

The annual internal audit plan shall incorporate a review of all RRPT entered into pursuant to the RRPT Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to;

- (iii) The Board and the Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RRPT have been complied with and the review shall be done annually together with the review of annual results;
- (iv) The Board and the Audit Committee have reviewed the procedures and shall continue to review the procedures as and when required, with the authority to sub delegate to individuals or committees within the Company as they deem appropriate; and
- (vi) Quotations will be taken from at least 2 other contemporaneous unrelated third parties to gather information to compare the prices quoted by third parties and Mandated Related Party for the purpose of determining the competitive market price of raw materials and goods. It is our policy to purchase raw materials or goods from Mandated Related Party when the prices are competitive with prices obtained from third parties and that the prices for the RRPT's are not detrimental to the Company or the Group. Other factors such as reliability of supply, delivery, services and quality of raw materials or goods will also be taken into consideration for evaluation purposes. In the event that the quotations from 2 other contemporaneous unrelated third parties cannot be obtained, the price that is being quoted shall be based on the prices from three (3) previous months' transactions, failing which, no transaction will be conducted.

3.8 Audit Committee's Statements

The Audit Committee will review the relevant RRPT and also review the established guidelines and procedures to ascertain that they have been complied with. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures as stated above are not sufficient to ensure that the RRPT will be conducted on normal commercial terms not more favourable to the Mandated Related Party than those generally available to the public and will be prejudicial to shareholders, the Company will revert to shareholders for a fresh mandate based on the new guidelines and procedures immediately, and in any case before the next transaction is entered into.

The Audit Committee has reviewed the terms of the Proposed Mandate, and is satisfied that the review procedures for RRPT, as well as the periodic reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that the RRPT are on normal commercial terms not more favourable to the Mandated Related Party than those generally available to the public, and hence, not prejudicial to the shareholders, nor disadvantageous to the Company and its subsidiaries and are not to the detriment of the minority shareholders of the Company. The Audit Committee is also satisfied that there are adequate procedures and processes in places to monitor, track and identify all RRPT's with Mandated Related Parties in a timely and orderly manner.

3.9 Estimated Value and the Actual Value of the RRPT based on the Existing Mandate

The estimated value and the actual value of the RRPT transacted, from 18 June 2009 (the date the existing Mandate was obtained) up to the last practicable date before printing of this Circular is as follows:

No.	Type of Transactions	Mandated Related Party	Estimated value (RM'000)		Actual Value (RM'000)	
			Charged by	Charged to	Charged by	Charged to
1.	Purchase of scrap metal	Soon Seng Co (Selangor) Sdn Bhd	5,000	-	-	-
2.	Purchase of scrap metal	Soon Seng Co (Penang) Sdn Bhd	15,000	-	337 *	-

* Actual Value of RM336,841.00

Note: The Actual Value did not deviate by exceeding the Estimated Value by 10% (or more).

4. INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

4.1 Interested Directors' Shareholdings based on the Record of Depositors as at 2 May 2010.

No	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1.	Dato' Sri Tai Hean Leng @ Tek Hean Leng ⁽¹⁾	4,082,000	1.94	64,076,219	30.40
2.	Lee Kean Binh	-	-	-	-

Notes:

- (1) *Deemed interested pursuant to Section 6A of the CA by virtue of his interest in TYY Resources Sdn Bhd ("TYY").*

4.2 Interested Major Shareholders based on the Record of Depositors as at 2 May 2010.

No	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1.	TYY Resources Sdn Bhd ("TYY")	64,076,219	30.40	-	-
2.	Dato' Sri Tai Hean Leng @ Tek Hean Leng ⁽¹⁾	4,082,000	1.94	64,076,219	30.40
3.	Tai May Chean ⁽²⁾	-	-	70,635,885	33.52
4.	Estate of Tai Ho Seng @ Teh Hoo Sing ⁽¹⁾	1,333,333	0.63	64,076,219	30.40
5.	Estate of Tai Chet Siang ⁽¹⁾	-	-	64,076,219	30.40

Notes:

- (1) *Deemed interested pursuant to Section 6A of the CA by virtue of their interest in TYY.*
- (2) *Deemed interested pursuant to Section 6A of the CA by virtue of her interest in TYY and in Kemajuan Rekacekap Sdn Bhd ("KRSB").*

4.3 Statements in relation to Interested Parties

- (a) The following interested directors (by virtue of his direct and indirect interest) has abstained and will abstain at all board meetings from all deliberations and voting on the Proposed RRPT Mandate.

- i. Dato' Sri Tai Hean Leng @ Tek Hean Leng**
- ii. Lee Kean Binh**

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG and LEE KEAN BINH, the aforesaid interested directors shall accordingly also abstain from voting in respect of his direct and/or indirect shareholding on the ordinary resolution vis-à-vis the Proposed RRPT Mandate to be tabled at the forthcoming AGM.

- (b) The following interested major shareholders (by virtue of their direct and indirect shareholding) will abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution vis-à-vis the Proposed Mandate to be tabled at the forthcoming AGM:
- i. **TTY Resources Sdn Bhd**
 - ii. **Tai May Chean**
 - iv. **Estate of Tai Ho Seng @ Teh Hoo Sing**
 - v. **Estate of Tai Chet Siang**
- (c) Further, the aforesaid Interested Parties will undertake to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution or deliberating or approving the Proposed RRPT Mandate at the forthcoming AGM.

5. DIRECTORS' RECOMMENDATION

The Directors, save and except for **DATO' SRI TAI HEAN LENG @ TEK HEAN LENG** and **LEE KEAN BINH** having considered all aspects of the Proposed RRPT Mandate, are of the opinion that the RRPT are in the best interest of the Company and accordingly, the Directors save and except for **DATO' SRI TAI HEAN LENG @ TEK HEAN LENG** and **LEE KEAN BINH** who are deemed interested in the Proposed RRPT Mandate, recommend that you vote in favour of the resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming AGM.

6. ANNUAL GENERAL MEETING

The AGM, the notice of which is enclosed in the Annual Report 2008, will be held on Thursday, 24 June 2010 at 3.00 p.m at Rebana 2 & 3, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan for the purpose of considering and, if thought fit, passing the resolution so as to give effect to the Proposed RRPT Mandate.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the Proxy Form in accordance with the instructions therein as soon as possible so as to arrive at the Registered Office of the Company not less than forty-eight (48) hours before the time set for the AGM. The lodging of the Proxy Form will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

7. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendices contained in this Circular for further information.

Yours faithfully
For and on behalf of the Board of
MALAYSIA STEEL WORKS (KL) BHD

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

PART B

PROPOSED SHARE BUY-BACK OF UP TO 23,183,233 ORDINARY SHARES OF RM0.50 EACH UNDER SCENARIO A IN PARAGRAPH 6.1(a) OF THIS CIRCULAR, OR UP TO 21,075,666 ORDINARY SHARES OF RM0.50 EACH UNDER SCENARIO B IN PARAGRAPH 6.1(a) OF THIS CIRCULAR, REPRESENTING UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY UNDER SCENARIO A AND SCENARIO B RESPECTIVELY

MALAYSIA STEEL WORKS (KL) BHD

(7878-V)

(Incorporated in Malaysia)

Registered Office:

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

2 June 2010

Board of Directors:

YBHG. DATO' IKHWAN SALIM BIN DATO' HJ SUJAK
(Non-Independent Non-Executive Chairman)

YG BHG. DATO' SRI TAI HEAN LENG @ TEK HEAN LENG
(Managing Director / Chief Executive Officer)

LEE KEAN BINH
(Executive Director)

LAU YOKE LEONG
(Executive Director)

LIM HOO TECK
(Independent Non-Executive Director)

NG WAH LOK
(Independent Non-Executive Director)

MUHAMMAD HANIZAM BIN HJ BORHAN
(Independent Non-Executive Director)

To: **The Shareholders of Malaysia Steel Works (KL) Bhd**

Dear Sir/Madam,

PROPOSED SHARE BUY-BACK OF UP TO 23,183,233 ORDINARY SHARES OF RM0.50 EACH UNDER SCENARIO (A) IN PARAGRAPH 6.1(a) OF THIS CIRCULAR, OR UP TO 21,075,666 ORDINARY SHARES OF RM0.50 EACH UNDER SCENARIO (B) IN PARAGRAPH 6.1(a) OF THIS CIRCULAR, REPRESENTING UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY UNDER SCENARIO A AND SCENARIO B RESPECTIVELY

1. INTRODUCTION

At the Company's 37th AGM held on 18th June 2009, the Board had obtained shareholders' mandate for the Directors to undertake the Proposed Share Buy-Back of up to 21,413,333 ordinary shares of RM0.50 each under Scenario A in paragraph 6.1(a) of this circular, or up to 19,466,666 ordinary shares of RM0.50 each under Scenario B in paragraph 6.1(a) of this circular or an amount not exceeding 10% of the issued and paid-up share capital of the Company. The said shareholders' mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM unless a new mandate is obtained from shareholders.

2. SHAREHOLDERS AUTHORITY REQUIRED

The purpose of this Circular is to provide Shareholders with details pertaining to the Proposed Share Buy-Back, and to seek shareholders' approval for the resolution to be tabled at the forthcoming AGM to be convened on Thursday, 24 June 2010 at 3.00 p.m. at Rebana 2 & 3, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan.

The Company had on 25 May 2010 made the announcement to Bursa Malaysia Securities Berhad ("Bursa Securities") pertaining to the above-mentioned Proposed Share Buy-Back.

3. DETAILS OF THE PROPOSED SHARE BUY-BACK

3.1 General

The Board proposes to seek the authority of the shareholders of the Company to purchase up to 23,183,233 ordinary shares of RM0.50 each under Scenario A in paragraph 6.1(a) of this circular, or up to 21,075,666 ordinary shares of RM0.50 each under Scenario B in paragraph 6.1(a) of this circular, each representing up to 10% of the issued and paid-up share capital of the Company respectively, through its appointed stockbroker. The Proposed Share Buy-Back will be effective immediately upon passing of the ordinary resolution and shall be effective until:

- i. the conclusion of the next AGM of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions); or
- ii. upon the expiration of the period within which the next AGM is required by law to be held, or
- iii. unless revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting.

3.2 Actual Share Buy-Back

The actual number of Shares to be purchased, the total amount of funds to be utilized and the timing of the proposed transactions for the Company to purchase its own shares will be dependent on the market conditions, sentiments of the Bursa Securities and the financial resources available to the Company.

3.3 Funding

The Listing Requirements stipulates that the purchase of its own shares by a listed company must be made wholly out of the share premium account and/or retained profits of the listed company. Accordingly, the Board proposes to allocate an amount not exceeding the retained profits and/or share premium account of the Company for the Proposed Share Buy-Back.

As at 31 December 2009, the audited balances of retained profits and share premium account of the Company stood at RM266,669,070 and RM22,976,455 respectively.

Any transaction to be carried out under the Proposed Share Buy-Back may be funded through internally generated funds, borrowings, retained profits, and/or share premiums of the Company.

3.4 Treatment of the Shares Purchased

In accordance with Section 67A of the Companies Act, 1965, the Company may deal with the Purchased Shares in the following manner:

- i. Cancel the Shares so purchased; or

- ii. Retain the Shares so purchased as Treasury Shares which may be distributed as dividends to the shareholders and/or resell on Bursa Securities and/or subsequently cancel the Treasury Shares; or
- iii. Retain some of the Shares so purchased as Treasury Shares and cancel the remainder Shares.

Upon each transaction to purchase its own Shares or parts thereof, an immediate announcement will be made to Bursa Securities and whether to cancel the Shares, retain them as Treasury Shares or proceed in a combination of both. An immediate announcement will also be made to Bursa Securities of any resale or cancellation of the Purchased Shares.

The Board will be mindful of the interests of the Company and its shareholders in exercising the authority granted by the shareholders in deciding the final number of shares purchased and thereafter cancelled and/or retained as Treasury Shares.

3.5 Purchase Price

In compliance with the Listing Requirements, the Company may only purchase the Purchased Shares at a price which is not more than fifteen per centum (15%) above the weighted average market price of the Purchased Shares for the five (5) market days immediately preceeding the date of the purchase.

3.6 Resale Price (if any)

In the case of resale of Treasury Shares (if any), the Company may only resell the same on Bursa Securities at:

- a. a price which is not less than the weighted average market price for the shares for the past five (5) market days immediately prior to the resale; or
- b. a discounted price of not more than 5% to the weighted average market price for the shares for the five (5) market days immediately prior to the resale provided that:-
 - (i) the resale takes place no earlier than 30 days from the date of purchase; and
 - (ii) the resale price is not less than the cost of purchase of the shares being resold.

4. RATIONALE OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back, if implemented is expected to benefit the Company and its shareholders as follows:

- i. to provide flexibility to the Company to utilize available financial resources to purchase its own shares;
- ii. to allow improvements to the earnings per share with the cancellation of the Purchased Shares from the exercise;
- iii. to allow the Company to realize potential capital gains if the Purchased Shares which are kept as treasury shares are subsequently resold at prices higher than their purchase prices;
- iv. to allow the distribution of treasury shares as share dividends to its shareholders which serves as a reward to its shareholders;
- v. to reduce volatility of the share prices.

5. POTENTIAL DISADVANTAGE OF THE PROPOSED SHARE BUY-BACK

The potential disadvantage of the Proposed Share Buy-Back to the Company and its shareholders is that the Proposed Share Buy-Back will require utilization of financial resources which may result in the Company foregoing other investment opportunities and/or foregoing income that may be derived from the deposit of such funds in interest bearing instruments and may also reduce cash dividend distributions to its shareholders.

However, only after the Board has given due consideration to the potential impact on the Group's earnings and financial position and only if they are of the opinion that it would be in the best interest of the Group's earnings and financial positions, would the Board exercise the authority granted by the shareholders for the Share Buy-Back.

6. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

In the event that the Proposed Share Buy-Back is carried out, the financial effect on the existing issued and paid-up share capital, NA per share, working capital, earnings, dividends and shareholdings of existing Directors and substantial shareholders of the Company are as herebelow. In the event that the Company intends to purchase its own shares using external borrowings, the Board shall ensure that the Company shall have sufficient funds to repay the external borrowings and that the repayment would have no material effect on the cash flow of the Company.

6.1 Share Capital

(a) If Maximum number of shares cancelled/reduced

In the event the Proposed Share Buy-Back is carried out and the Shares so purchased are cancelled, the Proposed Share Buy-Back will result in the issued and paid-up share capital of the Company being reduced as follows:

Scenario A : Assuming 21,075,666 shares are issued pursuant to Section 132D of the CA

Scenario B : Assuming none of the shares are issued pursuant to Section 132D of the CA

	Scenario A :	Scenario B :
	No of Masteel Shares	No of Masteel Shares
Issued and paid up share capital of RM0.50 each as at 2 May 2010	210,756,666	210,756,666
To be issued pursuant to Section 132D (10% of issued and paid up capital of the Company)	21,075,666	-
	231,832,332	210,756,666
Reduction in share capital resulting from the Proposed Share Buy-Back	(23,183,233)	(21,075,666)
Enlarged share capital	208,649,099	189,681,000

(b) If held as Treasury Shares

The Proposed Share Buy-Back will have no effect on the issued and paid-up share capital of the Company if the Purchased Shares are held as treasury shares and are not cancelled.

If the Shares so purchased are treated as Treasury Shares, the rights attached to them as to voting, dividends and participation in other distribution are suspended and the Treasury Shares shall not be taken into account in calculating the number of percentage of shares or of a class of shares in the Company for any purpose including without limiting the generality of this provision, the provision of any law or requirements of the Articles or the Listing Requirements on substantial shareholding, takeovers, notices, requisitions of meetings, quorum for meetings and the result of votes on resolution at a meeting.

6.2 Working Capital

The Proposed Share Buy-Back if exercised is likely to reduce the working capital and cash flow of the Company, the quantum of which depends on the purchase price and the actual number of Shares purchased. Notwithstanding, it is not expected to have a material effect on the working capital and cash flow of the Company.

However, the Shares so purchased and maintained as Treasury Shares may increase the working capital of the Company, if the Treasury Shares are subsequently resold at a higher price than the initial purchase price (subject to the extent of the number of Treasury Shares resold and the prevalent selling price).

6.3 Earnings

The effect of the Proposed Share Buy-Back if carried out, may give rise to an increased earnings per share of the Company (subject to the purchase price, the actual number of shares bought back and the opportunity cost of the funds utilized for the Proposed Share Buy-Back).

6.4 NA per Share

The Proposed Share Buy-Back will reduce the NA per share if the purchase price exceeds the NA per share and conversely, will increase the NA per share if the purchase price is less than the NA per share. Should the Company choose to retain any Purchased Shares as Treasury Shares and subsequently resell the Treasury Shares on the Bursa Securities and, depending on the price at which the said Treasury Shares are resold, the Proposed Share Buy-Back may have a positive effect on the NA per share, if a gain is achieved on resale (but subject to the selling price and number of Treasury Shares resold).

6.5 Dividends

For the financial year ended 31 December 2009, the Company has proposed a first and final single-tier dividend in respect of the financial year ended 31 December 2008, of 1.00 cent per share on 210,786,666 ordinary shares at RM0.50 each to its shareholders' for approval at the forthcoming AGM to be convened.

The Proposed Share Buy-Back may reduce the amount of retained profits available for payment of cash dividends to its shareholders. Nevertheless, if the Shares so purchased are retained as Treasury Shares, the said Treasury Shares may be distributed as dividends to its shareholders, if the Company so decides. Accordingly, the Directors will fully consider the interest of the Company and its shareholders in implementing the Proposed Share Buy-Back.

6.6 Shareholdings

The shareholdings of the Directors and Major Shareholders are as stated in Appendix 2.

7. CONDITION TO THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back is subject to the approval of its Shareholders at the forthcoming AGM pertaining to the subject matter of this Circular.

8. DETAILS OF PURCHASE MADE IN THE PREVIOUS 12 MONTHS

There were a number of shares buy-back transacted for the Year 2009. Summary of the transactions are as follows:-

No.	Transaction Date	Amount of Transacted (Shares)	Transacted Value		Total Paid (RM)	Number of Shares Retained in Treasure	
			Min (RM)	Max (RM)		Purchase	Up-to-date
1	20-Jul-09	20,000	0.945	0.955	19,138.70	20,000	20,000
2	22-Oct-09	10,000	1.020	1.070	10,510.74	10,000	30,000

9. DETAILS OF SHARES CURRENTLY HELD AS TREASURY SHARES

Details of Treasures Shares held by the Company is detailed in the Table in Item 8.

10. DETAILS OF SHARES CANCELLED IN THE PREVIOUS 12 MONTHS

The Company has not cancelled any shares in the preceding 12 months.

11. DETAILS OF SHARE PRICES IN THE PRECEDING 12 MONTHS

The details of the monthly highs and lows of the share prices in the preceding 12 months are as stated in Appendix 3.

12. PUBLIC SHAREHOLDING SPREAD

As at 2 May 2010, the public shareholding spread of the Company was 52.67%. Assuming that the Proposed Share Buy-Back is implemented, the public shareholding spread is expected to increase to 53.20% under Scenario A or 58.52% under Scenario B respectively.

The Company shall not buy-back any Shares if it results in the Company being in breach of the minimum public shareholding spread requirement of the Listing Requirements.

13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the incidental increase in the percentage of shareholdings of the Directors, Substantial Shareholders and persons connected to them as a result of the effective decrease in the issued and paid-up share capital of the Company upon the Proposed Share Buy-Back, none of the Directors or Substantial Shareholders or persons connected to them has any interest in the Proposed Share Buy-Back or resale of the treasury shares.

14. MALAYSIA CODE ON TAKE-OVERS AND MERGERS

In the event that the Company purchases such numbers of its own shares which will result in any one or more of the Company's shareholders either separately, or if deemed acting in concert, triggers the mandatory general offer under the Code, an exemption will be sought from the Securities Commission before the said purchase is made.

15. DIRECTORS' RECOMMENDATION

The Board of Directors having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the same is in the best interest of the Company and accordingly, the Directors recommend that you vote in favour of the resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

16. ANNUAL GENERAL MEETING

The AGM, the notice of which is enclosed in the Annual Report of the Company, will be held at Rebana 2 & 3, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 24 June 2010 at 3.00 p.m. for the purpose of considering and, if thought fit, passing this resolution so as to give effect to the Proposed Share Buy-Back.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the Proxy Form in accordance with the instructions therein as soon as possible so as to arrive at the Registered Office of the Company not less than forty-eight (48) hours before the time set for the AGM. The lodging of the Proxy Form will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

17. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendices contained in this Circular for further information.

Yours faithfully
For and on behalf of the Board of
MALAYSIA STEEL WORKS (KL) BHD

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

FURTHER INFORMATION**1. RESPONSIBILITY STATEMENT**

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

2. MATERIAL LITIGATION

Save as disclosed below, neither the Company nor its subsidiaries is engaged in any material litigation claims or arbitration, either as a plaintiff or defendant, and the Directors are not aware of any proceedings pending or threatened against the Company and its subsidiaries or any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company and its subsidiaries.

- (i) On 11 May 1999, Mukand Ltd (“Mukand”) instituted a claim against Masteel for a sum of USD375,749.45 being the balance of the purchase price of goods sold and delivered by Mukand to Masteel. Masteel had on 16 August 1999 filed a defence and counterclaimed for RM3,728,203.24 against Mukand for damages suffered as a result of defective goods supplied and for failure to complete the supply. After a lengthy trial, on 19 September 2006, the court dismissed Mukand’s claim with cost and gave judgement in favour of Masteel on its counterclaim against Mukand. Mukand has filed the necessary documents into court appealing on the above judgement. The Court of Appeal has yet to fix the date for the appeal to be heard. Subsequent to the above, Mukand, by way of a formal application applied to the court for a stay of execution of the above judgement. Masteel opposed to the application. After reading the written submissions of both parties, the court on 16 April 2007 dismissed Mukand’s application. The solicitors are in the process towards execution of the judgement in respect of the counterclaim by Masteel and to demand for payment of the judgment sum. Mukand had appealed on the above judgment. The appeal came up for hearing on 2 April 2008 and was partly heard. On 15 May 2008, the Court of Appeal was handed down wherein Mukand’s appeal was allowed and the High Court judgment was set aside. Masteel filed a notice of motion on 12 June 2008 to apply for leave to appeal and waiting for hearing date at the Federal Court. In respect of the cost of the Court of Appeal and High Court proceedings, Mukand has filed its applications for taxation of costs in the Court of Appeal. On 20 November 2009, the Court of Appeal taxed down Mukand’s claim for costs of RM400,036.44 to RM37,222.10 on the overall costs to Mukand. Masteel application for leave to appeal to Federal Court has been dismissed with costs of RM30,000 awarded to Mukand. The taxation of costs in High Court is yet to be taxed.
- (ii) On 7 March 1993, Kamseng Machine Works Pte Ltd (“Kamseng”) issued a letter of demand against MASTEEL for a sum of SGD1.06 million in respect of alleged variation orders executed by Kamseng and suggested a reference to arbitration. Kamseng filed an Originating Summons on 9 April 1997 for appointment of an arbitrator which was contested by MASTEEL. Kamseng’s application was allowed by the High Court and MASTEEL appealed to the Court of Appeal but the appeal was dismissed on 26 February 2003. MASTEEL has since filed an application for leave to appeal against the Court of Appeals decision to the Federal Court on 14 March 2003 but the application for leave to appeal was dismissed on 13 July 2004. Arbitration has commenced and the parties have filed their respective claims and counter-claims. MASTEEL has a counter-claim in excess of Kamseng’s claim in respect of damages for breach of contract and the cost incurred in hiring replacement contractors to complete the works and remedy the defects. The solicitors of MASTEEL handling the legal suit are of the opinion that MASTEEL’s chance of success in the claim proper is good. MASTEEL has filed an application in court for security for cost and is fixed for hearing on 21 June 2007 wherein the court allowed the application. The arbitrator has also stayed the arbitration proceedings pending the outcome of that application for security for cost. Kamseng has filed an appeal to the Court of Appeal against this order for Security for cost. Both parties had filed leave applications to the Court of Appeal on 22.4.2008 and leave was granted for both parties to file the Appeal within 14 days. On 28 April 2008, Kamseng filed and served their Notice of Appeal and Masteel filed and served their Notice of Appeal on 2 June 2008. Kam Seng had served their Record of Appeal and Masteel have filed and served our Record of Appeal on 6 July 2009. This matter is now awaiting a hearing to be fixed by the Court of Appeal for the said appeals.

- (iii) MASTEEL through its solicitors has issued a letter of demand dated 14 October 2003 to Royal & Sun Alliance Insurance (M) Bhd (“Royal & Sun”) claiming damages for the amount of approximately RM2.0 million to RM4.0 million and unliquidated damages caused to a transformer at the MASTEEL’s Bukit Raja plant as a result of fire. The transformer is insured against such damages under Royal & Sun insurance policy. However, Royal & Sun has rejected MASTEEL’s claim due to a technical interpretation of the term “explosion”. Writ of Summons was filed on 10 February 2004. Royal & Sun has entered appearance through their solicitors and filed a statement of defence on 5 April 2004. Thereafter, this matter came up for few mention dates for parties to finalise the Common Bundle of Documents. On 11 January 2010, both parties was recorded Consent Judgment in Court for RM2.5 million as full and final settlement in favour of MASTEEL.
- (iv) On 19 July 2004, Sergam Berhad (“Sergam”) has issued a notice of demand against MASTEEL claiming for a sum in the amount of RM7,560,243.60 together with interest at 8% per annum calculated on a daily basis from the date of demand until full settlement for goods sold and delivered to MASTEEL. The solicitors acting for MASTEEL, are of the opinion that Sergam has a frivolous claim against MASTEEL in view of the fact that the accounts of MASTEEL shows that the outstanding sum has been paid in full, save and except for the final payment of RM149,261.08 which Sergam has returned to MASTEEL and has alleged that further sums are due to them. MASTEEL has alleged that the demand arises from an erroneous assumption that further sums are due to Sergam in the form of interest without an express agreement by MASTEEL. The solicitors acting for MASTEEL are of the opinion that such a claim by Sergam would fail in court since there appears to be no agreement whatsoever, nor any prior demand or claim made by Sergam regarding the interests and that so long as Sergam has accepted periodical payments by MASTEEL unequivocally, they cannot now insist that interest are due to them. Sergam has filed their Statement of Claim to which MASTEEL has filed a Statement of Defence and Counterclaim. Sergam has filed their Defence to the Counterclaim on 1 September 2006. Sergam filed their Summary Judgment Application on 19 June 2007 which was fixed for mention on 6 May 2008. On 6 May 2008 the Senior Assistant Registrar allowed Sergam’s application with costs borne by the Defendant and she instructed to file further affidavit within 14 days. Sergam has filed and served their supplementary Affidavit in Reply on 15 May 2008. On 13 August 2009, the High Court had dismissed Sergam’s Summary Judgment application with costs. Thereafter, Sergam’s solicitor filed and served a sealed copy of the case management notice and the said notice was fixed for mention on 25 May 2010. pending parties filing agreed facts. Issued to be tried and respective summary of case. On 25 May 2010, the above matter was adjourned to 9 June 2010 for mention.

3. MATERIAL CONTRACTS

The Company and its subsidiaries have not entered into any contract which is material during the two (2) years preceding the date of this Circular other than contracts entered into in the ordinary course of business.

4. CONSENT

Messrs Gurdial Bakan Singh, Advocates and Solicitors, have given their consent that their name be included in the Circular in the form and context in which it appears and which consent has not subsequently been withdrawn.

5. DOCUMENTS FOR INSPECTION

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

- i. The Memorandum and Articles of Association of the Company.
- ii. The audited financial statements of the Company for two (2) financial years ended 31 December 2008 and 31 December 2009
- iii. The cause papers in relation to the material litigation referred above.
- iv. Letter of consent from Messrs Gurdial Bakan Singh, Advocates and Solicitors.

Scenario A : Assuming 21,075,666 shares are issued pursuant to Section 132D of the CA

Scenario B : Assuming none of the shares are issued pursuant to Section 132D of the CA But after the Proposed Share Buy-Back

1. Directors' Shareholdings

Name of Director	<----- Current Shareholdings -----> as at 2 May 2010				< -----After Scenario A ----->				< -----After Scenario B ----->			
	<-- Direct Interest-->		<--Indirect Interest-->		<-- Direct Interest -->		<--Indirect Interest-->		<-- Direct Interest -->		<--Indirect Interest-->	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Senator Dato' Ikhwan Salim bin Dato' Haji Sujak	10,199,999	4.84	-	-	10,199,999	4.89	-	-	10,199,999	5.38	-	-
Dato' Sri Tai Hean Leng @ Tek Hean Leng	4,082,000	1.94	64,076,219 (1)	30.40	4,082,000	1.96	64,076,219 (1)	30.71	4,082,000	2.15	64,076,219 (1)	33.78
Lee Kean Binh	-	-	-	-	-	-	-	-	-	-	-	-
Ng Wah Lok	-	-	-	-	-	-	-	-	-	-	-	-
Lim Hoo Teck	-	-	-	-	-	-	-	-	-	-	-	-
Lau Yoke Leong	-	-	-	-	-	-	-	-	-	-	-	-
Muhamad Hanizam bin Hj. Borhan	-	-	-	-	-	-	-	-	-	-	-	-

2. Substantial Shareholders' Shareholdings

Name	<Current Shareholdings as at 2 May 2010-->				<----- After Scenario A ----->				<----- After Scenario B ----->			
	<----- Direct ----->	<----- Indirect ----->	<----- Indirect ----->	<----- Indirect ----->	<----- Direct ----->	<----- Indirect ----->	<----- Indirect ----->	<----- Indirect ----->	<----- Direct ----->	<----- Indirect ----->	<----- Indirect ----->	<----- Indirect ----->
	No. of MASTEEL Shares	%	No. of MASTEEL Shares	%	No. of MASTEEL Shares	%	No. of MASTEEL Shares	%	No. of MASTEEL Shares	%	No. of MASTEEL Shares	%
TTY Resources Sdn Bhd ("TTY")	64,076,219	30.40	-	-	64,076,219	30.71	-	-	64,076,219	33.78	-	-
Lembaga Tabung Haji	19,364,500	9.19	-	-	19,364,500	9.28	-	-	19,364,500	10.21	-	-
Senator Dato' Ikhwan Salim bin Dato' Haji Sujak	10,199,999	4.84	-	-	10,199,999	4.89	-	-	10,199,999	5.38	-	-
Dato' Sri Tai Hean Leng @ Tek Hean Leng	4,082,000	1.94	(1)64,076,219	30.40	4,082,000	1.96	(1)64,076,219	30.71	4,082,000	2.15	(1)64,076,219	33.78
Estate of Tai Ho Seng @ Teh Hoo Sing	1,333,333	0.63	(1) 64,076,219	30.40	1,333,333	0.64	(1) 64,076,219	30.71	1,333,333	0.70	(1) 64,076,219	33.78
Estate of Tai Chet Siang	-	-	(1) 64,076,219	30.40	-	-	(1) 64,076,219	30.71	-	-	(1) 64,076,219	33.78
Tai May Chean	-	-	(2)70,635,885	33.52	-	-	(2)70,635,885	33.85	-	-	(2)70,635,885	37.24

Notes:

- (1) Deemed interested pursuant to Section 6A of the CA by virtue of their interests in TTY.
(2) Deemed interested pursuant to Section 6A of the CA by virtue of her interest in TTY and in Kemajuan Rekacekap Sdn Bhd ("KRSB").

Summary of High and Lows of Mastel's Share Prices Per Share Based on a Calendar Month

	2009							2010				
Month	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
High (RM)	1.05	1.06	1.02	1.02	0.96	1.12	1.07	1.00	1.18	1.14	1.13	1.11
Low (RM)	0.81	0.86	0.86	0.91	0.90	0.91	0.95	0.94	0.98	1.01	1.04	1.03