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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.

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**STATEMENT TO SHAREHOLDERS
IN RELATION TO:**

**PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS
OWN ORDINARY SHARES**

*Notice of the Company's Forty-Fourth Annual General Meeting (“AGM”) to be held at Dewan Perdana, Level 2, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on **Wednesday, 29 June 2016 at 3.00 p.m.** together with a Form of Proxy are enclosed together with the Annual Report 2015 of the Company.*

If you are unable to attend and vote at the meeting, please complete and return the Form of Proxy in accordance with the instructions therein as soon as possible so as to arrive at the Company's Share Registrar office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur 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: **Monday, 27 June 2016 at 3.00 p.m.**
Date and Time of the AGM: **Wednesday, 29 June 2016 at 3.00 p.m.***

This Statement is dated 29 April 2016

DEFINITIONS

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

ACT	:	Companies Act, 1965
AGM	:	Annual General Meeting
Articles	:	Articles of Association of the Company
Board	:	Board of Directors of MASTEEL
Bursa Securities	:	Bursa Malaysia Securities Berhad
Company or MASTEEL	:	Malaysia Steel Works (KL) Bhd (Company No.: 7878-V)
Code	:	Malaysian Code on Take-Overs and Mergers 2010
Group	:	MASTEEL and its subsidiaries
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities including any amendments thereto that may be made from time to time.
Proposed Share Buy-Back	:	Proposed purchase by MASTEEL of its own Shares on Bursa Securities of not more than ten percent (10%) of the issued and paid-up share Capital of MASTEEL.
RM	:	Ringgit Malaysia
Shares	:	Ordinary shares of RM0.50 each in the Company
NA	:	Net assets attributable to ordinary equity holders of the Company.

Words incorporate the singular shall, where applicable, include the plural and vice versa and words incorporate the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Statement to any enactment is a reference to that enactment as for the time being amend or re-enacted. Any reference to a time of a day in this Statement shall be a reference to Malaysian time, unless otherwise stated.

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SHARE BUY-BACK STATEMENT

1. INTRODUCTION

The shareholders of MASTEEL had at the 43rd AGM of the Company held on 3 August 2015, granted approval for the Directors to purchase its own shares of up to 10% of the issued and paid-up share capital of the Company. The said mandate shall in accordance with the Listing Requirements of Bursa Securities, lapse at the conclusion of the forthcoming AGM unless a fresh mandate is obtained from shareholders.

The Board had on 12 April 2016 made the announcement to Bursa Securities that the Company proposes to seek its shareholders' approval for the proposed renewal of authority to the Company for the Proposed Share Buy-Back.

The aforesaid proposal if approved by the shareholders would become valid immediately upon the passing of the ordinary resolution at the forthcoming AGM and will expire at the conclusion of the next AGM of the Company unless the authority is further renewed by ordinary resolution passed at a general meeting (either unconditionally or subject to conditions) or upon the expiration of the period within which the next AGM is required by law to be held, or if earlier revoked or varied by ordinary resolution of the shareholders of the company in a general meeting, whichever occurs first.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

2.1 General

The Board proposes to seek the authority of the shareholders of the Company purchase its own shares of up to 10% of the issued and paid-up share capital of the Company (inclusive the existing 763,800 treasury shares held), through its appointed stockbroker on the market of Bursa Securities.

As at 31 March 2016, the Company has purchased a total of 763,800 Shares which are held as treasury shares. The issued and paid-up share capital of the Company as at 31 March 2016, before adjusting for treasury shares, was RM 122,254,001.50 comprising 244,508,003 Shares. For illustration purpose, 10% of the issued and paid-up share capital of the Company as at 31 March 2016 is 24,450,800 Shares. Hence, the maximum number of Shares which may be purchased and/or held as treasury shares by the Company is 24,450,800 Shares. The maximum 24,450,800 Shares which may be purchased by the Company would include the 763,800 Shares already held as treasury shares.

In accordance with Paragraph 12.26 of the Listing Requirements, the Company may also purchase its own shares in odd lots i.e. any number of its own shares which is less than the number of shares prescribed by Bursa Securities as a board lot through a Direct Business Transaction or in any other manner as may be approved by Bursa Securities in accordance with such requirements as may be prescribed or imposed by Bursa Securities.

The Proposed Share Buy-Back will be effective immediately upon the 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);
- 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.

2.2 Actual Share Buy-Back

The actual number of Shares to be purchased, the total amount of funds to be utilised 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.

In accordance with Paragraph 12.09 of the Listing Requirements, MASTEEL will not purchase its own shares or hold any of its own shares as treasury shares if this results in the aggregate shares purchased or held to exceed 10% of the issued and paid-up share capital of the Company.

2.3 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 2015, the audited balances of retained profits and share premium account of the Company stood at RM332.1 million and RM78.2 million respectively.

Any transaction to be carried out under the Proposed Share Buy-Back may be funded through internally generated funds and bank borrowings.

2.4 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;
- 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, 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 to be purchased and thereafter cancelled and/or retained as treasury shares.

2.5 Purchase Price

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

2.6 Resale Price

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

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

3. RATIONALE AND POTENTIAL ADVANTAGE 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 utilise available financial resources to purchase its own shares;
- ii. to allow improvements to the earnings per share with the cancellation of the purchased Shares or treasury shares from the exercise;
- iii. to allow the Company to realise 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; and/or
- v. to reduce volatility of the share prices.

4. 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 utilisation 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 the Directors 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.

5. 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 set out below. 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.

5.1 Share Capital

(a) *If all treasury shares are cancelled / reduced*

In the event the Proposed Share Buy-Back is carried out in full 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:

	No. of Shares	Total (RM)
Existing share capital as at 31 March 2016	244,508,003	122,254,001
Assuming all shares purchased pursuant to the Proposed Share Buy-Back are cancelled (Inclusive of 763,800 Shares currently held as treasury shares)	(24,450,800)	(12,225,400)
Resultant issued and paid-up share capital	<u>220,057,203</u>	<u>110,028,601</u>

(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 of shareholders.

5.2 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).

5.3 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 utilised for the Proposed Share Buy-Back).

If the treasury shares are subsequently sold on Bursa Securities, there will be no impact on the earnings as the gain or loss is taken directly to the equity.

5.4 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 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).

5.5 Dividends

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. 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.

The shareholdings of the Directors and substantial shareholders are as stated in Appendix 1.

7. PUBLIC SHAREHOLDING SPREAD

As at 31 March 2016, the public shareholding spread of the Company was 65.77%. Assuming that the Company purchases up to the maximum number of Shares as allowed under the Proposed Share Buy-Back, the public shareholding spread is expected to reduce to 62.08%.

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.

8. MALAYSIAN CODE ON TAKE-OVERS AND MERGERS

As at 31 March 2016, TYY Resources Sdn Bhd, Kemajuan Rekacekap Sdn Bhd, Tai May Chean and Tai Chet Siang & Sons Sendirian Bhd collectively hold 34.23% of voting issued and paid-up share capital of MASTEEL (excluding treasury shares). Assuming that the Proposed Share Buy-Back is implemented in full and the Company purchases its own Shares from its shareholders other than from the aforementioned parties (it is also assumed that the total number of Shares held by the aforementioned parties remains unchanged), the collective shareholdings of the aforementioned parties will increase to 37.92% of the voting issued and paid-up share capital of MASTEEL (excluding treasury shares).

Pursuant to Practice Note 9 Paragraph 10.1 of the Code, a person and any parties acting in concert with him will be required to make a mandatory offer for the remaining Shares of the Company not already owned by him/her/them if his/her/their stake in the Company is increased to beyond 33% or if his/her/their shareholding is between 33% and 50% and increases by another 2% in any six (6) months period.

However, an exemption from mandatory offer obligation may be granted by the Securities Commission under Practice Note 9 Paragraph 24.1 of the Code subject to the parties acting in concert complying with the conditions stipulated in the Practice Note.

The Company intends to implement the Proposed Share Buy-Back in the manner that will not result in any of the shareholders having to undertake a mandatory offer pursuant to the Code. In this respect, the Board will be mindful of the requirements of the Code when implementing the Proposed Share Buy-Back.

In the event that MASTEEL decides to purchase its own shares which will result in the increase of the abovementioned parties' shareholdings in MASTEEL to more than 2% in any six (6) month period, the abovementioned parties will seek a waiver from the Securities Commission under Practice Note 9 Paragraph 24.1 before the Company purchases such Shares.

9. DIRECTORS' RECOMMENDATION

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

10. FURTHER INFORMATION

Shareholders are advised to refer to the Corporate Governance Statement section of the Annual Report of the Company for the financial year ended 31 December 2015 for further details on the purchases made by the Company of its own Shares during the financial year ended 31 December 2015.

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1. Directors' Shareholdings as at 31 March 2016

	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Dato' Ikhwan Salim bin Dato' Haji Sujak	-	-	-	-	-	-	-	-
Dato' Sri Tai Hean Leng @ Tek Hean Leng	-	-	75,276,219 ₍₃₎	30.88	-	-	75,276,219 ₍₃₎	34.21
Roy Thean Chong Yew	-	-	-	-	-	-	-	-
Lau Yoke Leong	-	-	-	-	-	-	-	-
Ng Wah Lok								
Muhammad Hanizam Bin Hj. Borhan	-	-	-	-	-	-	-	-
Ong Teng Chun								

Notes:

- (1) Based on the issued and paid-up share capital of MASTEEL of 244,508,003 Shares less 763,800 Shares held as treasury shares.
(2) Based on the issued and paid-up share capital of MASTEEL of 244,508,003 Shares less 24,450,800 Shares held as treasury shares.
(3) Deemed interested pursuant to Section 6A of the ACT by virtue of his interests in TYY.

2. Substantial Shareholders as at 31 March 2016

	Before the Proposed Share Buy-Back			After the Proposed Share Buy-Back		
	Direct		Indirect	Direct		Indirect
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
TYT Resources Sdn Bhd (“TYT”)	75,276,219	30.88	-	-	75,276,219	-
Dato’ Sri Tai Hean Leng @ Tek Hean Leng	-	-	75,276,219 ⁽³⁾	-	75,276,219 ⁽³⁾	34.21
Datin Ng Pik Lian	-	-	81,835,885 ⁽⁴⁾	-	81,835,885 ⁽⁴⁾	37.19
Tay Kwok Peng (Administrator of the Estate of Tai Chet Siang) ⁽⁵⁾	-	-	75,276,219 ⁽³⁾	-	75,276,219 ⁽³⁾	34.21

Notes:

- (1) Based on the issued and paid-up share capital of MASTEEL of 244,508,003 Shares less 763,800 Shares held as treasury shares.
(2) Based on the issued and paid-up share capital of MASTEEL of 244,508,003 Shares less 24,450,800 Shares held as treasury shares.
(3) Deemed interested pursuant to Section 6A of the ACT by virtue of their interests in TYT.
(4) Deemed interested pursuant to Section 6A of the ACT by virtue of her interest in TYT and in Kemajuan Rekacekap Sdn Bhd.
(5) Based on Record of Depositors.