

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused this Circular prior to its issuance as it is an Exempt Circular pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

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**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED BONUS ISSUE OF UP TO 106,810,281 NEW ORDINARY SHARES IN MALAYSIA STEEL WORKS (KL) BHD ("MASTEEL" OR THE "COMPANY") ("MASTEEL SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 1 BONUS SHARE FOR EVERY 3 EXISTING MASTEEL SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE")**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*



**UOB Kay Hian Securities (M) Sdn Bhd**

(Company No. 194990-K)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") and Proxy Form are enclosed in this Circular.

Details of the EGM:

- Date and time : Monday, 29 January 2018 at 1.00 p.m., or any adjournment thereof
- Venue : Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur

You are entitled to appoint a proxy(ies) to attend, participate, speak and vote on your behalf at the EGM. Should you wish to do so, please complete and lodge the Proxy Form at the share registrar office of our Company, as indicated below. You are still entitled to attend and vote in person at the EGM even if you have submitted the Proxy Form.

- Last date and time for lodging the Proxy Form : Saturday, 27 January 2018, at 1.00 p.m. or not less than 48 hours before the time set for holding the EGM or any adjournment thereof
- To be deposited at the Company's Share Registrar office : Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

This Circular is dated 29 December 2017

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## DEFINITIONS

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

“Act”	: The Companies Act, 2016
“Board”	: The Board of Directors of Masteel
“Bonus Share(s)”	: Up to 106,810,281 new Masteel Shares to be issued pursuant to the Proposed Bonus Issue
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Company No. 635998-W)
“Circular”	: This circular dated 29 December 2017
“Director(s)”	: Has the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007
“EGM”	: Extraordinary general meeting
“Entitlement Date”	: The date as at the close of business (to be determined and announced later by the Board) on which shareholders of Masteel must be registered as a member and whose names appear in the Record of Depositors in order to participate in the Proposed Bonus Issue
“EPS”	: Earnings per share
“FPE”	: Financial period(s) ended/ending, as the case may be
“FYE”	: Financial year(s) ended/ending, as the case may be
“Listing Requirements”	: The Main Market Listing Requirements of Bursa Securities
“LPD”	: 6 December 2017, being the latest practicable date prior to the printing and despatch of this Circular
“Market Day(s)”	: Any day(s) between Monday to Friday (inclusive), excluding public holidays, and a day on which Bursa Securities is open for trading of securities
“Masteel” or the “Company”	: Malaysia Steel Works (KL) Bhd (Company No. 7878-V)
“Masteel Group” or the “Group”	: Collectively, Masteel and its subsidiaries
“Masteel Share(s)” or “Share(s)”	: Ordinary share(s) in Masteel
“NA”	: Net assets
“Placement Shares”	: Remaining 4,800,000 Masteel Shares to be placed out pursuant to the Private Placement
“Private Placement”	: The private placement of up to 10% of the total number of issued shares of the Company which was announced on 25 May 2017. In relation thereto, the Company had on 17 July 2017 entered into a share subscription agreement with Macquarie Bank Limited to issue up to 24,300,000 Masteel Shares to Macquarie Bank Limited. As at the LPD, 19,500,000 Masteel Shares has been placed out to Macquarie Bank Limited and the Private Placement is yet to be completed

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**DEFINITIONS (Cont'd)**

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“Proposed Bonus Issue”	:	Proposed bonus issue of up to 106,810,281 Bonus Shares on the basis of 1 Bonus Share for every 3 existing Masteel Shares held on the Entitlement Date
“Record of Depositors”	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository, as amended from time to time
“UOBKH” or the “Adviser”	:	UOB Kay Hian Securities (M) Sdn Bhd (Company No. 194990-K)
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“VWAP”	:	Volume weighted average market price

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified. All references to “you” in this Circular are to the shareholders of Masteel.

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

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**MALAYSIA STEEL WORKS (KL) BHD**

www.masteel.com.my

(Company No. 7878-V)  
(Incorporated in Malaysia)

**Registered Office:**

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

29 December 2017

**Board of Directors:-**

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

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

Dear Sir / Madam,

**PROPOSED BONUS ISSUE OF UP TO 106,810,281 BONUS SHARES ON THE BASIS OF 1 BONUS SHARE FOR EVERY 3 EXISTING MASTEEL SHARES HELD ON THE ENTITLEMENT DATE**

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**1. INTRODUCTION**

On 23 November 2017, UOBKH had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Bonus Issue.

On 11 December 2017, UOBKH had, on behalf of the Board, submitted an application to Bursa Securities for the listing of and quotation for up to 106,810,281 Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

On 14 December 2017, UOBKH had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 14 December 2017, approved the listing of and quotation for up to 106,810,281 Bonus Shares to be issued pursuant to the Proposed Bonus Issue subject to the conditions as set out in **Section 6** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS ON THE PROPOSED BONUS ISSUE AND TO SEEK YOUR APPROVAL ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE TO BE TABLED AT THE FORTHCOMING EGM.

## 2. DETAILS OF THE PROPOSED BONUS ISSUE

### 2.1 Basis and number of Bonus Shares

The Proposed Bonus Issue will entail an issuance of up to 106,810,281 Bonus Shares, to be credited as fully paid-up, on the basis of 1 Bonus Share for every 3 existing Masteel Shares held by the shareholders of Masteel whose names appear in the Record of Depositors of Masteel as at the close of business on the Entitlement Date.

The actual number of Bonus Shares to be issued will be based on the then number of issued Masteel Shares, depending on the following:-

- i. the Company's total number of issued shares of 315,630,843 as at the LPD (including 423,800 Masteel Shares held as treasury shares);
- ii. the treatment of the 423,800 treasury shares held by Masteel as at the LPD prior to the Entitlement Date i.e. whether the treasury shares will be cancelled, distributed as share dividends, re-sold on the market of Bursa Securities or continue to be retained as treasury shares; and
- iii. the issuance of the remaining 4,800,000 Placement Shares pursuant to the Private Placement. As at the LPD, the Private Placement is yet to be completed.

Based on the Company's total number of issued shares of 315,630,843 as at the LPD (including 423,800 Masteel Shares held as treasury shares) and assuming all treasury shares are resold and the remaining 4,800,000 Placement Shares are issued prior to the implementation of the Proposed Bonus Issue, a maximum of 106,810,281 Bonus Shares may be issued pursuant to the Proposed Bonus Issue. Please refer to **Section 4.1** of this Circular for an illustration of the Bonus Shares to be issued under the Proposed Bonus Issue.

The Proposed Bonus Issue will not be implemented in stages.

Fractional entitlements arising from the Proposed Bonus Issue, if any, shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient in the best interest of the Company.

For illustration purposes, based on the 5-day VWAP of Masteel Shares up to and including the LPD of RM1.40, the theoretical ex-bonus share price of Masteel Shares is RM1.05. Further, the Board confirms that the share price adjusted for the Proposed Bonus Issue is not less than RM0.50 based on the daily VWAP during the past 3-month period up to the LPD.

## 2.2 Capitalisation of reserves

The Proposed Bonus Issue shall be wholly capitalised from the share premium and retained earnings account of Masteel at RM0.50 per Bonus Share, being the reference to the par value of Masteel Shares immediately before the effective date of the Act, pursuant to Section 618(7) of the Act.

Based on the Company's latest audited financial statement for the FYE 31 December 2016 and the latest unaudited financial statement for the 9-month FPE 30 September 2017, the pro forma effect of the Proposed Bonus Issue on the share premium and retained earnings account of Masteel is illustrated below based on the following scenarios:-

**Minimum Scenario** : Assuming all the existing 423,800 treasury shares are retained in the Company and no Placement Shares are issued prior to the Entitlement Date

**Maximum Scenario** : Assuming all the existing 423,800 treasury shares are resold to the market and all 4,800,000 Placement Shares are issued prior to the Entitlement Date

### Audited as at 31 December 2016

Company level	Minimum Scenario		Maximum Scenario	
	*Share premium	Retained earnings	*Share premium	Retained earnings
	RM'000	RM'000	RM'000	RM'000
<b>Audited as at 31 December 2016</b>	<b>78,204</b>	<b>351,406</b>	<b>78,204</b>	<b>351,406</b>
Less:-				
- Amount capitalised for the previous bonus issue which was completed on 29 September 2017	(25,811)	-	(25,811)	-
- Estimated expenses deducted for the previous bonus issue and Private Placements	-	(180)	-	(180)
	<b>52,393</b>	<b>351,226</b>	<b>52,393</b>	<b>351,226</b>
Less:-				
- Amount to be capitalised for the Proposed Bonus Issue	(52,393)	(142)	(52,393)	(1,012)
- Estimated expenses for the Proposed Bonus Issue	-	(100)	-	(100)
<b>Balance after the Proposed Bonus Issue</b>	<b>-</b>	<b>350,984</b>	<b>-</b>	<b>350,114</b>

**Note:-**

\* Under the no par value regime of the Act which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and any amount standing to the credit of the Company's share premium account shall be consolidated as part of its share capital. However, Section 618(4) of the Act provides that the Company may use its share premium account to fully pay up the Bonus Shares within a 24 months period from 31 January 2017.

**Unaudited as at 30 September 2017**

Company level	Minimum Scenario		Maximum Scenario	
	*Share premium	Retained earnings	*Share premium	Retained earnings
	RM'000	RM'000	RM'000	RM'000
<b>Unaudited as at 30 September 2017</b>	<b>52,393</b>	<b>414,748</b>	<b>52,393</b>	<b>414,748</b>
<i>Less:-</i>				
- Amount to be capitalised for the Proposed Bonus Issue	(52,393)	(142)	(52,393)	(1,012)
- Estimated expenses for the Proposed Bonus Issue	-	(100)	-	(100)
<b>Balance after the Proposed Bonus Issue</b>	<b>-</b>	<b>414,506</b>	<b>-</b>	<b>413,636</b>

**Note:-**

\* Under the no par value regime of the Act which came into effect on 31 January 2017, the concept of share premium will no longer be applicable and any amount standing to the credit of the Company's share premium account shall be consolidated as part of its share capital. However, Section 618(4) of the Act provides that the Company may use its share premium account to fully pay up the Bonus Shares within a 24 months period from 31 January 2017.

The Board confirms that the Proposed Bonus Issue and the implementation of the Proposed Bonus Issue is and will be in full compliance with the Act and Practice Note 1/2017 issued by the Companies Commission of Malaysia on 8 February 2017 for the purposes of subsections 618 (3) and (4) of the Act. The Board also confirms that the Company has sufficient reserves for the capitalisation of the Bonus Shares based on the latest audited consolidated financial statements of the Company for the FYE 31 December 2016 and the 9-month FPE 30 September 2017.

**2.3 Ranking of the Bonus Shares**

The Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Masteel Shares, except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of the Bonus Shares.

**2.4 Listing of and quotation for the Bonus Shares**

Masteel has received the approval from Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities via its letter 14 December 2017, subject to the conditions as stated under **Section 6** of this Circular. The Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next Market Day following the Entitlement Date.



### 3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED BONUS ISSUE

Having announced and recently completing a bonus issue exercise this year and in view of the improving share price and financial performance of the Group over the past 6 months, the Board has, after due consideration, resolved to propose a second bonus issue exercise to continue rewarding the existing shareholders of the Company for their loyalty and continuing support. The Proposed Bonus Issue will enable the shareholders of the Company to have a greater participation in the equity of the Company in terms of number of shares held whilst maintaining their percentage equity interest. In addition, the Proposed Bonus Issue will enable the Company to fully utilise its remaining reserves held under the Company's share premium account whilst potentially improving the liquidity and marketability of Masteel Shares.

### 4. EFFECTS OF THE PROPOSED BONUS ISSUE

#### 4.1 Share capital

For illustration, the pro forma effects of the Proposed Bonus Issue on the share capital of Masteel are as follows:-

	Par value / issue price (RM)	Minimum Scenario		Maximum Scenario	
		No. of Shares (‘000)	(RM’000)	No. of Shares (‘000)	(RM’000)
Share capital as at the LPD	0.50	315,631	168,483	315,631	168,483
Less: Treasury shares		(424)	(212)	-	-
Placement Shares to be issued	1.39	315,207 (1) -	168,271 (1) -	315,631 4,800	168,483 (2) 6,672
Bonus Shares to be issued	0.50	315,207 105,069	168,271 52,535	320,431 106,810	175,155 53,405
<b>Enlarged share capital</b>		<b>420,276</b>	<b>220,806</b>	<b>427,241</b>	<b>228,560</b>

**Notes:-**

- (1) Assuming none of the 4,800,000 Placement Shares are issued prior to the Entitlement Date.
- (2) Assuming the remaining 4,800,000 Placement Shares are issued at an illustrative indicative issue price of RM1.39 per Placement Share and the amount is fully credited to the share capital account in accordance with the Act.

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## 4.2 NA per Share and gearing

Based on the audited consolidated financial statements of Masteel as at 31 December 2016, the pro forma effects of the Proposed Bonus Issue on the NA per Share and gearing of Masteel Group are as follows:-

### Minimum Scenario

	Audited as at 31 December 2016 (RM'000)	<sup>(2)</sup> After adjustment for subsequent events (RM'000)	Pro forma I  <sup>(3)</sup> After the Proposed Bonus Issue (RM'000)
Share capital	122,254	168,483	221,018
Share premium	78,204	52,393	<sup>(4)</sup> -
Capital reserves account	-	597	597
Treasury shares	(897)	(313)	(313)
Retained earnings	351,406	351,226	<sup>(4)</sup> <sup>(5)</sup> 350,984
<b>Total equity / NA</b>	<b>550,967</b>	<b>572,386</b>	<b>572,286</b>
No. of Shares issued (excluding treasury shares) (‘000)	<sup>(1)</sup> 243,294	<sup>(2)</sup> 315,207	<sup>(3)</sup> 420,276
<b>NA per Share (RM)</b>	<b>2.26</b>	<b>1.82</b>	<b>1.36</b>
Total borrowings (RM'000)	361,138	340,900	340,900
<b>Gearing (times)</b>	<b>0.66</b>	<b>0.60</b>	<b>0.60</b>

### Notes:-

- (1) Excluding 1,213,800 treasury shares as at 31 December 2016.
- (2) After adjusting for the following events subsequent to the FYE 31 December 2016 up to the LPD:-
- a) Allotment of 19,500,000 Masteel Shares pursuant to the Private Placement;
  - b) Allotment of 51,622,840 bonus shares for the previous bonus issue which was completed on 29 September 2017;
  - c) Expenses of RM180,000 incurred for the Private Placement and previous bonus issue;
  - d) Net gain of approximately RM0.59 million from resale of a total of 790,000 treasury shares by the Company for a period from 1 January 2017 up to the LPD;
- |  |                 |
|--|-----------------|
|  | <b>(RM'000)</b> |
| Proceeds from resale of treasury shares        | 1,181           |
| Less: Acquisition costs of treasury shares     | (584)           |
| <b>Net gain from resale of treasury shares</b> | <b>597</b>      |
- e) Repayment of bank facilities of approximately RM20.24 million; and
  - f) Excluding 423,800 treasury shares as at the LPD.
- (3) Assuming all 423,800 treasury shares are retained by the Company and no Placement Shares are issued.
- (4) After deducting the amount to be capitalised from share premium and retained earnings account for the Proposed Bonus Issue.
- (5) After adjusting for the estimated expenses of RM100,000 for the Proposed Bonus Issue.

### Maximum Scenario

	Audited as at 31 December 2016 (RM'000)	<sup>(2)</sup> After adjustment for subsequent events (RM'000)	Pro forma I Assuming the resale of treasury shares issuance of Placement Shares (RM'000)	Pro forma II  After the Proposed Bonus Issue (RM'000)
Share capital	122,254	168,483	<sup>(3)</sup> 175,155	228,560
Share premium	78,204	52,393	52,393	<sup>(5)</sup> -
Capital reserves account	-	597	<sup>(4)</sup> 873	873
Treasury shares	(897)	(313)	-	-
Retained profits	351,406	351,226	351,226	<sup>(5)</sup> <sup>(6)</sup> 350,114
<b>Total equity / NA</b>	<b>550,967</b>	<b>572,386</b>	<b>579,647</b>	<b>579,547</b>
No. of Shares issued (‘000)	<sup>(1)</sup> 243,294	<sup>(2)</sup> 315,207	<sup>(3)</sup> <sup>(4)</sup> 320,431	427,241
<b>NA per Share (RM)</b>	<b>2.26</b>	<b>1.82</b>	<b>1.81</b>	<b>1.36</b>
Total borrowings (RM'000)	361,138	340,900	340,900	340,900
<b>Gearing (times)</b>	<b>0.66</b>	<b>0.60</b>	<b>0.59</b>	<b>0.59</b>

#### Notes:

- (1) Excluding 1,213,800 treasury shares as at 31 December 2016.
- (2) After adjusting for the following events subsequent to the FYE 31 December 2016 up to the LPD:-
- a) Allotment of 19,500,000 Masteel Shares pursuant to the Private Placement;
  - b) Allotment of 51,622,840 bonus shares for the previous bonus issue which was completed on 29 September 2017;
  - c) Expenses of RM180,000 incurred for the Private Placement and previous bonus issue;
  - d) Net gain of approximately RM0.59 million from resale of a total of 790,000 treasury shares by the Company for a period from 1 January 2017 up to the LPD;
- |  |                 |
|--|-----------------|
|  | <b>(RM'000)</b> |
| Proceeds from resale of treasury shares        | 1,181           |
| Less: Acquisition costs of treasury shares     | (584)           |
| <b>Net gain from resale of treasury shares</b> | <b>597</b>      |
- e) Repayment of bank facilities of RM20.24 million; and
  - f) Excluding 423,800 treasury shares as at the LPD.
- (3) Assuming remaining 4,800,000 Placement Shares are placed out at an indicative issue price of RM1.39 per Placement Share, being the 5-day VWAP of Masteel Shares up to 17 November 2017.
- (4) Assuming gain of approximately RM0.28 million, assuming the 423,800 treasury shares which were purchased at a cost of approximately RM0.31 million are resold at RM1.39 per Share, being the 5-day VWAP of Masteel Shares up to 17 November 2017.
- (5) After deducting the amount to be capitalised from the share premium and retained earnings account for the Proposed Bonus Issue.
- (6) After adjusting for the estimated expenses of RM100,000 for the Proposed Bonus Issue.

#### **4.3 Earnings and EPS**

The Proposed Bonus Issue is not expected to have any material effect on the earnings of Masteel Group for the FYE 31 December 2017. However, there will be a corresponding dilution in the EPS of Masteel Group as a result of the increase in the number of shares issued under the Proposed Bonus Issue.

#### **4.4 Convertible securities**

As at the LPD, there are no options, warrants or convertible securities issued by the Company.

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#### 4.5 Substantial shareholders' shareholdings

The effects of the Proposed Bonus Issue on the shareholdings of the substantial shareholders of Masteel as at the LPD are as follows:-

##### Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD				Pro forma I (4)After the Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1) %	No. of Shares	(1)%	No. of Shares	%	No. of Shares	%
TYV Resources Sdn Bhd	96,169,462	30.51	-	-	128,225,949	30.51	-	-
Dato' Sri Tai Hean Leng @ Tek Hean Leng	-	-	(2)96,169,462	30.51	-	-	(2) 128,225,949	30.51
Datin Ng Pik Lian	-	-	(3)104,041,061	33.01	-	-	(3)138,721,414	33.01
Estate of Tai Chet Siang, deceased	-	-	(2)96,169,462	30.51	-	-	(2)128,225,949	30.51

##### **Notes:-**

- (1) Excluding a total of 423,800 Masteel Shares bought-back by the Company and retained as treasury shares as at the LPD.
- (2) Deemed interested pursuant to Section 8 of the Act, by virtue of his interests in TYV Resources Sdn Bhd.
- (3) Deemed interested pursuant to Section 8 of the Act, by virtue of her interests in TYV Resources Sdn Bhd and Kemajuan Rekacekap Sdn Bhd.
- (4) Assuming all the existing 423,800 treasury shares are retained in the Company and no Placement Shares are issued.

## Maximum Scenario

Substantial shareholders	Shareholdings as at the LPD				Pro forma I Assuming the resale of treasury shares and after the Private Placement <sup>(4)</sup>				Pro forma II After the Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	<sup>(1)</sup> %	No. of Shares	<sup>(1)</sup> %	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TYT Resources Sdn Bhd	96,169,462	30.51	-	-	96,169,462	30.01	-	-	128,225,949	30.01	-	-
Dato' Sri Tai Hean Leng	-	-	<sup>(2)</sup> 96,169,462	30.51	-	-	<sup>(2)</sup> 96,169,462	30.01	-	-	<sup>(2)</sup> 128,225,949	30.01
@ Tek Hean Leng	-	-	<sup>(3)</sup> 104,041,061	33.01	-	-	<sup>(3)</sup> 104,041,061	32.47	-	-	<sup>(3)</sup> 138,721,414	32.47
Datin Ng Pik Lian	-	-	<sup>(2)</sup> 96,169,462	30.51	-	-	<sup>(2)</sup> 96,169,462	30.01	-	-	<sup>(2)</sup> 128,225,949	30.01
Estate of Tai Chet Siang, deceased	-	-	-	-	-	-	-	-	-	-	-	-

### Notes:-

- (1) Excluding a total of 423,800 Masteel Shares bought-back by the Company and retained as treasury shares as at the LPD.
- (2) Deemed interested pursuant to Section 8 of the Act, by virtue of his interests in TYT Resources Sdn Bhd.
- (3) Deemed interested pursuant to Section 8 of the Act, by virtue of her interests in TYT Resources Sdn Bhd and Kemajuan Rekacekap Sdn Bhd.
- (4) Assuming all 423,800 treasury shares are resold to the market and all 4,800,000 Placement Shares are issued.

## 5. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted market prices of Masteel Shares for the past 12 months from December 2016 to November 2017 are as follows:-

	High (RM)	Low (RM)
<b>2016</b>		
December	0.71	0.54
<b>2017</b>		
January	0.74	0.68
February	0.77	0.63
March	0.69	0.63
April	0.80	0.63
May	1.07	0.80
June	1.03	0.88
July	0.92	0.80
August	1.00	0.84
September	1.41	0.99
October	1.36	1.26
November	1.65	1.19
Last transacted price of Masteel Shares on 22 November 2017 (being the date prior to the announcement of the Proposed Bonus Issue)		1.29
Last transacted price of Masteel Shares on 27 December 2017 (being the latest date prior to the printing of this Circular)		1.71

(Source: Bloomberg)

## 6. APPROVALS REQUIRED

The Proposed Bonus Issue is subject to the following approvals being obtained:-

- (i) Bursa Securities, for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities;

Bursa Securities had via its letter dated 14 December 2017 granted its approval in relation to the Proposed Bonus Issue subject to the following conditions:-

No.	Conditions	Status of compliance
1.	Masteel and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue;	To be complied
2.	Masteel and UOBKH to inform Bursa Securities upon completion of the Proposed Bonus Issue;	To be complied
3.	Masteel to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed;	To be complied
4.	Masteel to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders at the extraordinary general meeting for the Proposed Bonus Issue; and	To be complied

No.	Conditions	Status of compliance
5.	Masteel and UOBKH are required to make the relevant announcements pursuant to Paragraph 6.35(2)(a) & (b) and 6.35(4) of the Listing Requirements	To be complied

- (ii) the shareholders of Masteel, for the Proposed Bonus Issue at the forthcoming EGM; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed Bonus Issue is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

#### **7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

None of the directors, major shareholders of Masteel and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Bonus Issue, save for their respective entitlements as shareholders of the Company under the Proposed Bonus Issue, which are also available to all other shareholders of the Company.

#### **8. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION**

The tentative timetable for the implementation of the Proposed Bonus Issue is set out below:-

Month	Event
29 January 2018	<ul style="list-style-type: none"> <li>Convening of EGM to obtain the approval of shareholders of Masteel for the Proposed Bonus Issue</li> </ul>
Early March 2018	<ul style="list-style-type: none"> <li>Announcement of the Entitlement Date for the Proposed Bonus Issue</li> <li>Completion of the Proposed Bonus Issue</li> </ul>

Barring any unforeseen circumstances, the Board expects the Proposed Bonus Issue to be completed by the first half of 2018.

#### **9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Bonus Issue (which is the subject matter of this Circular) and the Private Placement, the Board confirms that there are no other outstanding corporate exercises that have been announced by the Company, but not yet completed as at the LPD.

#### **10. DIRECTORS' RECOMMENDATION**

After considering all aspects of the Proposed Bonus Issue, the Board is of the opinion that the Proposed Bonus Issue is in the best interest of the Company.

As such, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Bonus Issue to be tabled at the forthcoming EGM of the Company.



## **11. EGM**

The EGM, the notice of which is enclosed in this Circular, will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 29 January 2018 at 1.00 p.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the ordinary resolution to give effect to the Proposed Bonus Issue.

The voting on the resolution at the EGM will be by poll. If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend, participate, speak and vote on your behalf by completing, signing and sending the enclosed Proxy Form 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 or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, before 1.00 p.m. on Saturday, 27 January 2018. The Proxy Form should be completed strictly following the instruction contained therein and should you fail to do so, the instrument of proxy will not be valid. You are still entitled to attend and vote in person at the EGM even if you have submitted the Proxy Form.

## **12. FURTHER INFORMATION**

You are advised to refer to **Appendix I** as set out 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**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

**2. CONSENT**

UOBKH, being the Adviser for the Proposed Bonus Issue, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

**3. DECLARATION OF CONFLICT OF INTERESTS**

UOBKH has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser to Masteel for the Proposed Bonus Issue.

**4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, neither Masteel nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors of Masteel have no knowledge of any proceedings, pending or threatened against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of Masteel Group.

**5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****(i) Material commitments**

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

**(ii) Contingent liabilities**

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

FURTHER INFORMATION (Cont'd)

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**6. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (i) The Memorandum and Articles of Association of Masteel;
- (ii) The audited consolidated financial statement of Masteel for the past 2 years up to and including FYE 31 December 2016 and the latest unaudited quarterly results for the 9-month FPE 30 September 2017; and
- (iii) Letter of consent and declaration of conflict of interest referred to in **Section 2** and **Section 3** of this **Appendix I**.

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**MALAYSIA STEEL WORKS (KL) BHD**

www.masteel.com.my

(Company No. 7878-V)  
(Incorporated in Malaysia)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of Malaysia Steel Works (KL) Bhd ("**Masteel**" or the "**Company**") will be convened at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 29 January 2018 at 1.00 p.m., or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the following ordinary resolution:-

**ORDINARY RESOLUTION**

**PROPOSED BONUS ISSUE OF UP TO 106,810,281 NEW ORDINARY SHARES IN MASTEEL ("MASTEEL SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 1 BONUS SHARE FOR EVERY 3 EXISTING MASTEEL SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE")**

**"THAT**, subject to the approvals of all relevant regulatory authorities and parties for the listing of and quotation for the Bonus Shares, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to capitalise up to RM53,405,140.50 out of the Company's share premium and retained earnings account, and to apply the same for the purposes of issuing up to 106,810,281 Bonus Shares in the share capital of the Company, credited as fully paid-up to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the entitlement date to be determined by the Board and announced later on the basis of 1 Bonus Share for every 3 existing Masteel Shares held by such shareholders;

**THAT** fractional entitlements arising from the Proposed Bonus Issue, if any, shall be dealt with in such manner as the Board shall in their absolute discretion deems fit and expedient in the best interest of the Company;

**THAT** the Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Masteel Shares, except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date precedes the date of allotment and issuance of the Bonus Shares;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents to give effect to the Proposed Bonus Issue with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue."

**BY ORDER OF THE BOARD**

**TAI YIT CHAN** (MAICSA 7009143)

**TAN AI NING** (MAICSA 7015852)

Company Secretaries

Selangor Darul Ehsan

Date: 29 December 2017

**Notes:-**

1. *A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) entitled to attend and vote at the meeting is entitled to appoint a maximum of 2 proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.*
2. *Where a member appoints 2 proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each proxy.*
3. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.*
5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at or by facsimile transmission to 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 or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the EGM or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the EGM or Adjourned EGM.*
6. *Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements, the resolution set out in the Notice of EGM will be put to vote by poll.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 22 January 2018 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.*

**PERSONAL DATA PRIVACY:**

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



**MALAYSIA STEEL WORKS (KL) BHD**

www.masteel.com.my

(Company No. 7878-V)  
(Incorporated in Malaysia)

No. of Shares	
CDS account No.	

## Proxy Form

I/We .....(NRIC No./Company No.....)  
of .....  
being a member of **MALAYSIA STEEL WORKS (KL) BHD** hereby appoint the \*Chairman of the Meeting  
or .....(NRIC No.....)  
of .....  
failing whom.....(NRIC No.....)  
of .....  
as my/our proxy(ies) to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to  
be convened at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara,  
60000 Kuala Lumpur on Monday, 29 January 2018 at 1.00 p.m., or any adjournment thereof for/against the  
resolution to be proposed thereat.

\*Please delete the words "Chairman of the Meeting" if you wish to appoint other person(s) to be your  
proxy/proxies.

ORDINARY RESOLUTION	FOR	AGAINST
Proposed Bonus Issue		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or  
abstain from voting at his (her) discretion.)

For appointment of two proxies, percentage of  
shareholdings to be represented by the proxies:

Signature/Common Seal \_\_\_\_\_

Date: \_\_\_\_\_

Contact No: \_\_\_\_\_

	<u>Percentage</u>
Proxy 1	%
Proxy 2	%
Total	100%

### NOTES:

1. A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991) entitled to attend and vote at the meeting is entitled to appoint a maximum of 2 proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.
2. Where a member appoints 2 proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at or by facsimile transmission to 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 or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the EGM or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the EGM or Adjourned EGM.
6. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements, the resolution set out in the Notice of EGM will be put to vote by poll.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 22 January 2018 (General Meeting Record of Depositors) shall be eligible to attend, participate, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.

### PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 29 December 2017.

### NOTICE:

Kindly note that Masteel will not be  
providing any door gifts or meal  
vouchers for this EGM.



Fold this flap for sealing

Then fold here

AFFIX  
STAMP

The Share Registrar  
**TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD** (11324-H)  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8 Jalan Kerinchi  
59200 Kuala Lumpur  
Malaysia

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