

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No. 7994-D)

(Incorporated in Malaysia under the Companies Act, 1965)

STATEMENT TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Ordinary Resolution in respect of the above proposal will be tabled at the Company's 45th Annual General Meeting ("AGM") to be held at Ruby Ballroom (Level G), One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor, Malaysia on Tuesday, 31 May 2016 at 10.30 a.m. The Notice of the 45th AGM together with the Form of Proxy are enclosed in the Annual Report 2015.

The Form of Proxy must be completed and lodged at the office of our Share Registrar, Symphony Share Registrars Sdn Bhd not less than forty eight (48) hours before the time set for our AGM. The lodging of the Form of Proxy will not preclude you from attending the meeting and voting in person if you are able to do so.

This Statement is dated 29 April 2016

DEFINITIONS

For the purpose of this Statement, except where the context otherwise requires, the following definitions shall apply:

Act	:	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting
Annual Report 2015	:	The Annual Report of MRCB issued for the financial year ended 31 December 2015
Board	:	The Board of Directors of MRCB
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
EPS	:	Earnings Per Share
ESOS	:	Employees' Share Option Scheme
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities as amended from time to time and any re-enactment thereof
MRCB or Company	:	Malaysian Resources Corporation Berhad (7994-D)
MRCB Group or Group	:	MRCB and its subsidiary companies, collectively
NA	:	Net Assets
Proposed Share Buy-Back	:	Proposed renewal of the existing authority granted to the Company to purchase up to ten percent (10%) of its own issued and paid-up share capital
RM and sen	:	Ringgit Malaysia and sen respectively
Share(s)	:	Ordinary share(s) of RM1.00 each in MRCB
Shareholder(s)	:	Shareholder(s) of MRCB
The Code	:	Malaysian Code on Take-Overs and Mergers 2010
WAP	:	Weighted Average Market Price
Warrants	:	576,519,012 five-year warrants 2013/2018

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MALAYSIAN RESOURCES CORPORATION BERHAD
(Company No. 7994-D)
(Incorporated in Malaysia under the Companies Act, 1965)

SHARE BUY-BACK STATEMENT

In relation to the

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (“PROPOSED SHARE BUY-BACK”)

1. INTRODUCTION

The Company had on 3 March 2016, announced its intention to seek Shareholders’ approval for the Proposed Share Buy-Back at the forthcoming 45th AGM of the Company to be held on 31 May 2016.

This Statement serves to provide you with the relevant information on the Ordinary Resolution pertaining to the Proposed Share Buy-Back, to set out the recommendation of the Board and to seek your approval for the Proposed Share Buy-Back to be tabled at the forthcoming 45th AGM of the Company. The Notice of the 45th AGM together with the Form of Proxy are enclosed in the Annual Report 2015.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

At the AGM of the Company held on 11 May 2015, the Company had obtained its shareholders’ approval to purchase up to ten percent (10%) of the issued and paid-up share capital of the Company. The said approval will expire at the conclusion of the forthcoming 45th AGM to be held on 31 May 2016 unless the authority is renewed.

The renewal of the authority from the Shareholders for the purchase by MRCB of its own shares will be effective immediately upon the passing of the Ordinary Resolution on the Proposed Share Buy-Back at the forthcoming 45th AGM to be held on 31 May 2016 and shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company at which time it will lapse, unless the authority is renewed by an Ordinary Resolution passed at that meeting, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (c) revoked or varied by Ordinary Resolution passed by the Shareholders of the Company in a general meeting;

whichever occurs first.

3. SOURCE OF FUNDS

The number of shares to be purchased and timing of the purchase will depend on, inter-alia, market conditions, the availability of the retained profits/share premium and financial resources of MRCB as well as Bursa Securities’ requirement to maintain the necessary spread.

The Proposed Share Buy-Back will be financed through internally generated funds and/or borrowings and will be made wholly out of the retained profits and/or share premium account of the Company. In the event the Company decides to use external borrowings, the Company expects that it will be capable of repaying such borrowings and that such borrowings are not expected to have any material effect on the cash flow of the MRCB Group.

Based on the latest audited financial statements as at 31 December 2015, the retained profits and share premium account of the Company were RM184.12 million and RM327.95 million respectively.

4. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back is intended to enable the Company to utilise any of its surplus financial resources which is not immediately required for other uses, to purchase its own Shares from the market. The Company will be able to purchase its own Shares when the Shares are being traded at values that are grossly below what the Board believes to be their intrinsic value. This will enable the price of MRCB Shares traded on Bursa Securities to be stabilised and therefore better reflect its fundamentals.

If the Shares purchased are subsequently cancelled, the EPS of MRCB may be strengthened and if so, it is expected to benefit the Shareholders of the Company.

If the purchased Shares are held as treasury shares, such Shares may potentially be resold on Bursa Securities at a higher price and therefore realising a potential gain in reserves. Should the treasury shares be distributed as share dividends, this would serve to reward the Shareholders of the Company.

5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The potential advantages and disadvantages of the Proposed Share Buy-Back, to the Company and its Shareholders, if exercised, are as follows:

Potential advantages:

- (a) allows the Company the flexibility to achieve its desired capital structure;
- (b) rewards the Shareholders in the event the treasury shares are distributed as share dividends; and
- (c) mitigates the dilution effects on the Company's EPS as a result of exercise of Warrant and exercise of ESOS options

Potential disadvantages:

- (a) the Proposed Share Buy-Back will reduce the financial resources of MRCB Group and may result in the Group forgoing better investment opportunities that may emerge in the future; and
- (b) as the Proposed Share Buy-Back can only be made out of retained profits and share premium accounts of the Company, it may result in the reduction of financial resources available for distribution to Shareholders in the immediate future.

Nevertheless, the Proposed Share Buy-Back is not expected to have any material disadvantage to the Company and our Shareholders, as it will be implemented only after careful consideration of the financial resources of the Group and its resultant impact. The Board of MRCB will be mindful of the interest of the Company and its Shareholders in undertaking any purchase of its own Shares and in the subsequent resale of treasury shares on Bursa Securities, if any.

6. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The financial effects of the Proposed Share Buy-Back are illustrated below based on the following assumptions:

- (a) the purchase of MRCB Shares of up to 10% of the issued and paid-up share capital of MRCB is carried out in full; and
- (b) MRCB Shares so purchased are cancelled or alternatively retained as treasury shares or both.

6.1 Share Capital

As at 31 March 2016:

- (a) the issued and paid up share capital of MRCB is RM1,786,590,857 comprising 1,786,590,857 MRCB Shares;
- (b) the existing number of Warrants are 576,519,012; and
- (c) the existing number of ESOS options are 101,416,331.

In the event that all MRCB Shares to be purchased are cancelled:

- (a) assuming no exercise of Warrants and no exercise of ESOS options, the issued and paid-up share capital of MRCB will be reduced to RM1,607,931,771 comprising 1,607,931,771 MRCB Shares; and
- (b) assuming full exercise of Warrants, and full exercise of ESOS options, the issued and paid-up share capital of MRCB will be increased to RM2,464,526,200 comprising 2,464,526,200 MRCB Shares and subsequently reduced to RM2,218,073,580 comprising 2,218,073,580 MRCB Shares.

The effects of the Proposed Share Buy-Back on the issued and paid-up share capital of MRCB are set out below:

	Assuming no exercise Warrants and no exercise of ESOS options	Assuming full exercise of Warrants and full exercise of the ESOS options
	No. of Shares	No. of Shares
Issued and paid-up share capital as at 31 March 2016	1,786,590,857	1,786,590,857
Shares to be issued upon full exercise of Warrants	-	576,519,012
	-	2,363,109,869
Shares to be issued upon full exercise of ESOS options	-	101,416,331
	1,786,590,857	2,464,526,200
Less: Maximum number of Shares that may be purchased pursuant to the Proposed Share Buy-Back	(178,659,086)	(246,452,620)
Issued and paid-up share capital after Proposed Share Buy-Back and cancellation	1,607,931,771	2,218,073,580

However, the Proposed Share Buy-Back is not expected to have any effect on the issued and paid-up share capital if all MRCB Shares purchased are retained as treasury shares.

6.2 NA and Working Capital

The Proposed Share Buy-Back may increase or decrease the NA per share depending on the purchase price(s) of the Shares to be purchased. NA per share is likely to decrease if the purchase price exceeds the NA per share at the relevant point in time. On the contrary, the NA per share is likely to increase when the purchase price is less than the NA per share at the relevant point in time.

The Proposed Share Buy-Back will reduce the working capital of the Group, the quantum of which depends on, amongst others, the purchase prices and the number of Shares purchased.

6.3 Earnings

The effect of the Proposed Share Buy-Back on the EPS of the Group is dependent on the purchase prices of MRCB Shares and the effective funding cost or loss in interest income to the Group.

Similarly, on the assumption that the Shares so purchased are treated as treasury shares, the extent of the effect on the earnings of the Group will depend on the actual selling price, the number of treasury shares resold and the gain from disposal.

6.4 Gearing

The effect of the Proposed Share Buy-Back on the gearing of the Group will depend on the proportion of borrowing used to fund the purchase of Shares. The utilisation of any borrowings to fund the Proposed Share Buy-back will serve to increase the gearing of the Group.

6.5 Dividend

Assuming the Proposed Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Share Buy-Back will have an effect of increasing the dividend rate per ordinary share of the Company as a result of the reduction in the issued and paid-up share capital of the Company but if the purchased Shares are held as treasury shares, there will not be a reduction in the issued and paid-up capital.

6.6 Shareholdings

The following tables show the effects of the Proposed Share Buy-Back on the major shareholders' and Directors' shareholdings (if any) as at 31 March 2016 assuming that:

- (a) the purchase of own shares of up to 10% of the issued and paid-up share capital of MRCB;
- (b) the MRCB Shares so purchased are cancelled;
- (c) the major shareholders and/or Directors do not sell down their shareholdings; and
- (a) there will be dilution of issued and paid-up share capital of MRCB upon full exercise of Warrants and full exercise of ESOS options.

As at 31 March 2016, none of the Directors hold any Shares, Warrants or ESOS options in MRCB, save for the following Directors:

- (a) Tan Sri Mohamad Salim Fateh Din, the Group Managing Director of the Company
- (b) Tan Sri Azlan Zainol, the Chairman of the Company
- (c) Datuk Shahril Ridza Ridzuan, the non-independent non-executive director of the Company

The proforma effects of the Proposed Share Buy-back on the shareholdings structure of the major shareholders and Directors (if any) are set out below:

(a) Assuming no exercise of Warrants and no exercise of ESOS options (Minimum Scenario)

	No. of Shares as at 31 March 2016		After Proposed Share Buy-Back and assuming full cancellation of Shares Purchased	
	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Major shareholders				
Employees Provident Fund ("EPF")	38.37	-	685,457,897	42.63
Gapurna Sdn Bhd ("Gapurna")	16.70	-	(1)298,322,581	18.55
Lembaga Tabung Haji ("LTH")	10.06	-	179,765,673	11.18
Tan Sri Mohamed Salim Fateh Din	-	(1)298,322,581	-	(1)298,322,581
18.55				
Director				
Tan Sri Azlan Zainol	0.007	30,000	120,000	0.007
Tan Sri Mohamed Salim Fateh Din	-	(1)298,322,581	-	(1)298,322,581
Datuk Shahril Ridza Ridzuan	0.03	-	500,000	0.03

(b) Assuming full exercise of Warrants and ESOS (Maximum Scenario)

	No. of Shares as at 31 March 2016		After full exercise of Warrants & ESOS (I)		After (I), Proposed Share Buy-Back and assuming full cancellation of Shares purchased	
	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Major shareholders						
Employees Provident Fund ("EPF")	38.37	-	685,457,897	27.81	685,457,897	30.90
Gapurna Sdn Bhd ("Gapurna")	16.70	-	298,322,581	15.44	#383,557,604	17.29
Lembaga Tabung Haji ("LTH")	10.06	-	179,765,673	7.29	179,765,673	8.10
Tan Sri Mohamed Salim Fateh Din	-	(1)298,322,581	-	(1)383,557,604	-	(1)383,557,604
15.44						
Director						
Tan Sri Mohamed Salim Fateh Din	-	(1)298,322,581	-	(1)383,557,604	-	(1)383,557,604
Datuk Shahril Ridza Ridzuan	0.03	-	500,000	0.03	#666,667	0.03

Notes :-

(1) Deemed interested by virtue of his substantial shareholding in Gapurna Sdn Bhd.

Based on 85,235,023 Warrants held by Gapurna Sdn Bhd

Based on 166,667 Warrants held Datuk Shahril

7. PUBLIC SHAREHOLDING SPREAD

As at 31 March 2016, the public shareholding spread of the Company is 44.88%. The public shareholding of the Company is expected to be reduced to approximately 38.77% based on the assumption that the Proposed Share Buy-Back is implemented in full and all the Shares so purchased are cancelled.

As illustrated above, the public shareholding spread will be met in the event the Company purchases up to ten percent (10%) of its existing issued and paid-up share capital. Notwithstanding the above, the Company will be mindful of the public shareholding spread requirement before making any purchase of its own Shares.

8. IMPLICATION RELATING TO THE CODE

There is no implication relating to the Code by the Company arising from the Proposed Share Buy-Back.

9. PURCHASES IN THE LAST FINANCIAL YEAR

The Company had not purchased any of its own Shares in the last financial year ended 31 December 2015.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage of shareholdings and/or voting rights in their capacity as Shareholders as a consequence of the Proposed Share Buy-Back, none of the Substantial Shareholders or Directors of the Company or persons connected with them has any interest, direct or indirect, in the Proposed Share Buy-Back, or in the resale of the treasury shares, if any.

11. DIRECTORS' RECOMMENDATION

Your Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and its shareholders. Accordingly, they recommend that you vote in favour of the Ordinary Resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming 45th AGM.

Yours faithfully
for and on behalf of the Board of
MALAYSIAN RESOURCES CORPORATION BERHAD

TAN SRI MOHAMAD SALIM FATEH DIN
Group Managing Director