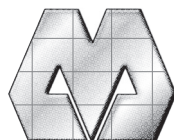


THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, 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, 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.

Part A of this Circular has been reviewed and approved by TA Securities Holdings Berhad, who is the Principal Adviser to Mycron Steel Berhad for the Proposals (as defined herein).



MYCRON STEEL BERHAD

(Company No. 622819-D)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE: -

PART A

- (I) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 56,709,091 SHARES IN MYCRON STEEL BERHAD (“MYCRON SHARES”) (“RIGHTS SHARE(S)”) ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) MYCRON SHARES HELD, TOGETHER WITH UP TO 28,354,546 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED RIGHTS ISSUE WITH WARRANTS”); AND**
- (II) **PROPOSED ACQUISITION OF A PIECE OF LEASEHOLD LAND TOGETHER WITH BUILDINGS ERECTED THEREON BY MELEWAR STEEL TUBE SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MYCRON STEEL BERHAD FROM MELEWAR INDUSTRIAL GROUP BERHAD FOR A TOTAL PURCHASE CONSIDERATION OF RM26.0 MILLION TO BE SATISFIED ENTIRELY BY WAY OF CASH (“PROPOSED ACQUISITION”)**

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MYCRON STEEL BERHAD IN RELATION TO THE PROPOSED ACQUISITION

Principal Adviser for Part A

Independent Adviser for Part B

TA Securities Holdings Berhad
(Company No. 14948-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)



INVESTMENT BANK BERHAD (20657-W)



AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of the Extraordinary General Meeting (“EGM”) of the Company to be held at Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Friday, 20 April 2018 at 11.00 a.m. together with the Form of Proxy are enclosed herewith.

The Form of Proxy must be completed and lodged at the Registered Office of the Company at Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 18 April 2018 at 11.00 a.m.

Date and time of the EGM : Friday, 20 April 2018 at 11.00 a.m.

This Circular is dated 5 April 2018

DEFINITIONS

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

5D-VWAMP	: Five (5)-day volume weighted average market price
Act	: Companies Act, 2016, as amended from time to time including any re-enactment thereof
Balance Purchase Price	: The sum of Ringgit Malaysia Twenty Three Million Four Hundred Thousand (RM23,400,000) only
Bank	: The bank or other licensed financial institution to which the Purchaser may be applying for the Loan
Board	: Board of Directors of Mycron Steel Berhad
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
Circular	: This circular to the shareholders of Mycron in relation to the Proposals dated 5 April 2018
Completion Date	: The date of full payment of the Balance Purchase Price together with interest (if any) to the Stakeholders on or before the Last Day
Condition Period	: A period of nine (9) months from the date of the SPA
Deed Poll	: The deed poll constituting the Warrants to be executed by the Company
Deposit	: A sum of Ringgit Malaysia Two Million Six Hundred Thousand (RM2,600,000) only
EGM	: Extraordinary general meeting
Entitled Shareholders	: The shareholders of the Company whose names appear in the Company's Record of Depositors on the Entitlement Date
Entitlement Date	: The date on which the names of the Entitled Shareholders must be registered in the Company's Record of Depositors as at 5.00 p.m. to be entitled to the Proposed Rights Issue with Warrants, which shall be determined by the Board and announced accordingly
EPS	: Earnings per Share
Existing Charge	: Existing charge to OCBC Bank (Malaysia) Berhad vide presentation number 87825/2011
Extended Completion Period	: A period of one (1) month calculated from the day next following the expiry of the Completion Period, or such other extended period as may be agreed by the Vendor in writing
FYE	: Financial year ended/ending
IAL	: Independent advice letter from KAF IB in relation to the Proposed Acquisition
Independent Adviser or KAF IB	: KAF Investment Bank Berhad (20657-W)

DEFINITIONS (CONT'D)

Interest	: Interest at the rate of eight per centum (8%) per annum calculated on a daily basis from the day next following the expiry of the due date for payment until the date of actual receipt of the outstanding amount payable by the Purchaser
Interested Directors	: TDYK and Azlan bin Abdullah
Interested Major Shareholders	: MIGB, MKSB, MEL, KLB and TDYK
Instrument of Transfer	: A valid and registrable instrument of transfer in respect of the Property duly executed by the Vendor in favour of the Purchaser
KLB	: Khyra Legacy Berhad (741366-W)
Last Day	: The last day of the Completion Period or the last day of the Extended Completion Period (if applicable) and within which the Balance Purchase Price and Interest, if applicable must be paid subject to the provisions in the SPA
Loan	: Loan from a Bank to finance the Purchase Consideration
LPD	: 27 March 2018, being the latest practicable date prior to the printing of this Circular
LTD	: 23 August 2017, being the last Market Day Mycron Shares were traded on the Main Market of Bursa Securities prior to the announcement of the Proposed Rights Issue with Warrants
Market Day	: A day on which the stock market of Bursa Securities is open for trading in securities
Maximum Scenario	: Assuming that all the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants
MEL	: Melewar Equities (BVI) Ltd (Registration No. 95686)
MIGB or Undertaking Party or Vendor	: Melewar Industrial Group Berhad (8444-W)
MIGB's Proposed Rights Issue	: Proposed renounceable rights issue of up to 225,522,808 rights shares of MIGB together with up to 112,761,404 free detachable warrants of MIGB on the basis of one (1) rights share of MIGB for every one (1) existing share of MIGB together with one (1) warrant of MIGB for every two (2) rights shares of MIGB subscribed which was announced by MIGB on 23 August 2017 and 18 December 2017
MKSB	: Melewar Khyra Sdn Bhd (49841-V)
Minimum Scenario	: Assuming that none of the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue with Warrants other than the Undertaking Party
Minimum Subscription Level	: Minimum level of subscription of Rights Shares to meet the minimum amount to be raised of RM10,800,000
MMLR	: Listing Requirements of Bursa Securities for the Main Market, as may be amended from time to time
MSCRC	: Mycron Steel CRC Sdn Bhd (177492-W)

DEFINITIONS (CONT'D)

MST or Purchaser	: Melewar Steel Tube Sdn Bhd (111059-D)
Mycron or Company	: Mycron Steel Berhad (622819-D)
Mycron Group or Group	: Mycron Steel Berhad and its subsidiaries
Mycron Share(s) or Share(s)	: Ordinary share(s) of Mycron
NA	: Net Assets
Original Proposed Rights Issue with Warrants	: Proposed renounceable rights issue of up to 56,709,091 Mycron Shares on the basis of one (1) Rights Share for every five (5) Mycron Shares held by the Entitled Shareholders together with up to 28,354,546 Warrants to be issued on the basis of one (1) Warrant for every two (2) Rights Shares subscribed on the Entitlement Date at a fixed issue price of RM0.50 per Rights Share
Original Undertaking	: Written irrevocable undertaking from the Undertaking Party to Mycron dated 23 August 2017 that the Undertaking Party will subscribe for not less than 21,600,000 Rights Shares pursuant to the Proposed Rights Issue with Warrants so as to meet the Minimum Subscription Level and that the Undertaking Party will not dispose of any of its Mycron Shares following the announcement of the Proposed Rights Issue with Warrants up to the Entitlement Date
Property	: A piece of leasehold land known as Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan held under Title No. HSD 166735 Bandar Shah Alam, Daerah Petaling, Negeri Selangor, together with buildings erected thereon
Proposals	: Collectively, the Proposed Rights Issue with Warrants and Proposed Acquisition
Proposed Acquisition	: Proposed acquisition of the Property by MST at the Purchase Consideration from the Vendor
Proposed Rights Issue with Warrants	: Proposed renounceable rights issue of up to 56,709,091 Mycron Shares on the basis of one (1) Rights Share for every five (5) Mycron Shares held by the Entitled Shareholders together with up to 28,354,546 Warrants to be issued on the basis of one (1) Warrant for every two (2) Rights Shares subscribed on the Entitlement Date at an issue price to be determined later
Purchase Consideration	: Cash consideration of RM26,000,000 for the purchase of the Property
Purchaser's Solicitors or Stakeholder	: Messrs Cheang and Ariff
Record of Depositors	: A record of securities holders provided by Bursa Depository under the rules of Bursa Depository
Revised Undertaking	: Written irrevocable undertaking from the Undertaking Party to Mycron dated 18 December 2017 that the Undertaking Party will subscribe for not less than 21,600,000 Rights Shares at an indicative issue price of RM0.50 per Rights Share pursuant to the Proposed Rights Issue with Warrants so as to meet the Minimum Subscription Level and to raise a minimum amount of not less than RM10,800,000 and that the Undertaking Party will not dispose of any of its Mycron Shares following the announcement of the Proposed Rights Issue with Warrants up to the Entitlement Date

DEFINITIONS (CONT'D)

Rights Shares	: Up to 56,709,091 new Mycron Shares to be issued pursuant to the Proposed Rights Issue with Warrants
RM and Sen	: Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
Said Documents	: Relevant documents to be deposited by the Vendor pursuant to Clause 4.4.1 of the SPA
SPA	: Sale and purchase agreement for the Proposed Acquisition entered into between the Vendor and Purchaser on 20 November 2017
Sq. ft.	: Square foot/feet
sq. metre(s)	: Square metre(s)
State Authority Consent	: Approval of the state authority for the sale and transfer of the Property in favour of the Purchaser
TA Securities or Principal Adviser	: TA Securities Holdings Berhad (14948-M)
TDYK	: Tunku Dato' Yaacob Khyra
TERP	: Theoretical ex-rights price
Valuation Certificate	: Valuation certificate dated 31 October 2017 prepared by PA International on the Property
Valuation Report	: Valuation report dated 31 October 2017 prepared by PA International on the Property
Valuer or PA International	: PA International Property Consultants (KL) Sdn Bhd (286279-D)
Warrants	: Free new detachable warrants to be issued by the Company pursuant to the Proposed Rights Issue with Warrants where the warrants will be constituted by the Deed Poll

All references to "Company" in this Circular are to Mycron, references to "Group" are to our Company and its subsidiaries. All reference to "we", "us", "our" and "ourselves" are to our Company, or where the context requires, our Group. All references to "you" in this Circular are references of the shareholders of our Company.

Words importing the singular only shall include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

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 the time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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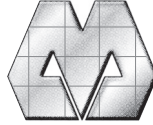
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FORM OF PROXY ENCLOSED

PART A

**LETTER TO THE SHAREHOLDERS OF MYCRON IN RELATION TO
THE PROPOSALS**



MYCRON STEEL BERHAD
(Company No. 622819-D)
(Incorporated in Malaysia)

Registered Office:

Suite 12.03, 12th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

5 April 2018

Board of Directors:

Tunku Dato' Yaacob Khyra (*Executive Chairman*)
Azlan bin Abdullah (*Group Managing Director*)
Roshan Mahendran bin Abdullah (*Group Chief Executive Officer*)
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah (*Non-Independent Non-Executive Director*)
Tan Sri Datuk Seri Razman Md Hashim (*Independent Non-Executive Director*)
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (*Independent Non-Executive Director*)
Shazal Yusof bin Mohamed Zain (*Independent Non-Executive Director*)
Muk Sai Tat (*Independent Non-Executive Director*)

To: The Shareholders of Mycron Steel Berhad

Dear Sir/Madam,

- (I) PROPOSED RIGHTS ISSUE WITH WARRANTS; AND**
 - (II) PROPOSED ACQUISITION**
-

1. INTRODUCTION

On 23 August 2017, TA Securities had, on behalf of the Board, announced that the Company intends to undertake the Proposed Rights Issue with Warrants.

On 16 October 2017, TA Securities, on behalf of the Board, announced that Bursa Securities had vide its letter dated 16 October 2017, approved the Company's application for an extension of time until 22 December 2017 for the Company to comply with paragraph 9.33(1)(a) of the MMLR for the submission of the draft circular to Bursa Securities in relation to the Proposals.

On 20 November 2017, TA Securities, on behalf of the Board, announced that MST, a wholly-owned subsidiary of Mycron had on even date, entered into the conditional SPA with MIGB in relation to the Proposed Acquisition.

Subsequently, on 18 December 2017, TA Securities, on behalf of the Board, further announced that the Board has decided to revise the Original Proposed Rights Issue with Warrants as follow: -

**Key term pursuant to the Original Revised key term
Proposed Rights Issue with Warrants**

Basis of determining and justification for the issue price of the Rights Shares

The issue price of the Rights Shares was fixed by the Board at RM0.50 per Rights Share.

The issue price of the Rights Shares will be determined and fixed by the Board at a later date, after receipt of all relevant approvals but before the announcement of the Entitlement

Date, after taking into consideration, amongst others, the historical share price movement of Mycron. (“**Proposed Revision**”).

On 19 February 2018, TA Securities, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 15 February 2018, granted its approval for the admission and listing of the Warrants and the listing of the Rights Shares, and the new Mycron Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities subject to the conditions set out in Section 9, Part A of this Circular.

The Proposed Acquisition is deemed a related party transaction pursuant to the provisions under paragraph 10.08 of the MMLR, further details of which are set out in Section 12, Part A of this Circular. Pursuant to the above, KAF IB has been appointed as the Independent Adviser for the Proposed Acquisition.

Further details of the Proposals are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS AND INFORMATION IN RELATION TO THE PROPOSALS, TO SET OUT THE BOARD’S APPROVAL FOR THE PROPOSED RIGHTS ISSUE WITH WARRANTS AND THE INDEPENDENT DIRECTORS’ RECOMMENDATION ON THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS OF MYCRON ARE ADVISED TO CAREFULLY READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL (AS SET OUT IN PART B OF THIS CIRCULAR) WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS IN RELATION TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

The Proposed Rights Issue with Warrants entails the renounceable rights issue of up to 56,709,091 Rights Shares together with up to 28,354,546 Warrants on the basis of one (1) Rights Share for every five (5) existing Mycron Shares together with one (1) Warrant for every two (2) Rights Shares subscribed by the Entitled Shareholders.

The Warrants which are attached to the Rights Shares will be issued at no cost and only to the Entitled Shareholders and/or their renounee(s) (if applicable) who successfully subscribed for the Rights Shares. The entitlement to the Rights Shares with Warrants is renounceable in full or in part. However, the Rights Shares and Warrants cannot be renounced separately. Should the Entitled Shareholders elect to renounce all of their Rights Shares entitlements under the Proposed Rights Issue with Warrants, they will not be entitled to the Warrants. However, if the Entitled Shareholders accept only part of their Rights Shares entitlements under the Proposed Rights Issue with Warrants, they shall be entitled to the Warrants in proportion of their acceptances of the Rights Shares entitlement.

In determining the shareholders’ entitlements to the Warrants under the Proposed Rights Issue with Warrants, fractional entitlements, if any, will be dealt with by the Board in such manner as its absolute discretion as it may deem fit or expedient and in the best interest of the Company.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounee(s) (if applicable). It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

The Warrants will be immediately detached from the Rights Shares upon issuance and separately traded from the Rights Shares on the Main Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll.

2.1 Basis of determining and justification for the indicative issue price of the Rights Shares

The issue price of the Rights Shares will be determined and fixed by the Board at a later date, after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration, the following:-

- (i) The historical share price movements of Mycron Shares;
- (ii) the minimum amount to be raised from the Proposed Rights Issue with Warrants of approximately RM10.80 million which will be channeled towards the proposed utilisation of proceeds as set out in Section 2.7, Part A of this Circular; and
- (iii) an appropriate discount to the TERP of Mycron Shares which is sufficiently attractive to encourage the subscription of the Rights Shares.

As at the date of this Circular, the Board has yet to determine the range of premium/discount to be applied to the TERP of Mycron Shares in determining the issue price of the Rights Shares. The basis of determining and justification for the issue price of the Rights Shares and the range of discount/premium for the issue price of the Rights Shares will be announced at a later date, once the issue price of the Rights Shares has been fixed.

For the purpose of this Circular, the indicative issue price of RM0.50 per Rights Share represents a premium of approximately RM0.0818 or 19.57% to the TERP of Mycron Shares of RM0.4182, based on the 5D-VWAMP of Mycron Shares, up to the LPD of RM0.4018.

2.2 Basis of determining and justification for the indicative exercise price of the Warrants

The Warrants attached to the Rights Shares will be issued at no cost to the Entitled Shareholders who subscribe for the Rights Shares.

The exercise price of the Warrants shall be determined and fixed by the Board at a later date after taking into consideration the TERP of Mycron Shares, based on the 5D-VWAMP of Mycron Shares, with a premium/discount to the TERP deemed appropriate by the Board prior to the price fixing date to be determined later by the Board. As at the date of this Circular, the Board has yet to determine the range of premium/discount to be applied to the TERP of Mycron Shares in determining the exercise price of the Warrants. The basis of determining and justification for the exercise price of the Warrants and the range of discount/premium for the exercise price will be announced at a later date, once the exercise price of the Warrants has been fixed.

For the purpose of this Circular, the indicative exercise price of the Warrants is assumed to be RM0.44 and is at a premium of approximately RM0.0218 or 5.22% to the TERP of RM0.4182, based on the 5D-VWAMP of Mycron Shares up to and including the LPD of RM0.4018.

2.3 Major shareholder's undertaking

The shareholding of MIGB in Mycron, as at the LPD, together with its entitlement to the Rights Shares and Warrants is as follow: -

Major Shareholder	As at the LPD		Rights Shares entitlement		Warrants entitlement	
	No. of Shares	%	No. of Rights Shares	% ⁽¹⁾	No. of Warrants	% ⁽¹⁾
MIGB	202,050,221	71.26	40,410,044	71.26	20,205,022	71.26

Note: -

(1) Assuming the number of Rights Shares and Warrants entitlement under the Maximum Scenario.

The Proposed Rights Issue with Warrants will be implemented on a Minimum Subscription Level for gross proceeds of RM10.80 million at the indicative issue price of RM0.50 for each Rights Share. The Minimum Subscription Level was determined by the Board after considering, *inter alia*, the funding requirements of Mycron Group as set out in Section 2.7, Part A of this Circular.

On 23 August 2017, Mycron procured the Original Undertaking from the Undertaking Party.

On 18 December 2017, in view of the Proposed Revision, Mycron procured the Revised Undertaking from the Undertaking Party.

Details of the Revised Undertaking based on the Minimum Subscription Level are as follows: -

Undertaking Party	As at 18 December 2017		Minimum Rights Shares Undertaken		Minimum Warrants entitlement pursuant to the Revised Undertaking	
	No. of Shares	%	No. of Rights Shares	% ⁽¹⁾	No. of Warrants	% ⁽²⁾
MIGB	202,050,221	71.26	21,600,000	100.00	10,800,000	100.00

Notes: -

(1) Percentage is calculated based on 21,600,000 Rights Shares available for subscription under the Minimum Subscription Level.

(2) Percentage is calculated based on 10,800,000 Warrants available under the Minimum Subscription Level.

MIGB will be released from the Revised Undertaking in the event of any act of God, strike, lockout, fire, flood, national emergency, war or other event beyond MIGB's reasonable control which renders the performance of the Revised Undertaking impossible for thirty (30) consecutive days.

The Revised Undertaking by MIGB will not give rise to any mandatory general offer obligation pursuant to the Rules on Take-Overs, Mergers and Compulsory Acquisitions 2016.

In view of the Revised Undertaking and that the Proposed Rights Issue with Warrants will be implemented based on the Minimum Subscription Level, no underwriting arrangement will be made in respect of the Proposed Rights Issue with Warrants.

Notwithstanding the Revised Undertaking, the Undertaking Party may subscribe in full to the Rights Shares with Warrants pursuant to its entitlement, as well as additional Rights Shares with Warrants via excess application should the Undertaking Party wishes to do so.

The Proposed Rights Issue with Warrants shall only be implemented upon the successful implementation of MIGB's Proposed Rights Issue in view that the Revised Undertaking is subject to MIGB's Proposed Rights Issue. As such, TA Securities is unable to verify at this juncture that MIGB has sufficient financial resources to fulfill the Revised Undertaking. Nevertheless, TA Securities (being the principal adviser to MIGB in relation to the MIGB's Proposed Rights Issue) has verified MKSB's confirmation that it has the financial resources to fulfill its undertaking obligations in respect of MIGB's Proposed Rights Issue. MKSB has provided an irrevocable undertaking to MIGB that

MKSB shall, amongst others, subscribe to not less than 57,500,000 rights shares pursuant to MIGB's Proposed Rights Issue and to raise a minimum amount of not less than RM11,500,000 based on an indicative issue price of RM0.20 per MIGB's rights share.

2.4 Ranking of the Rights Shares and the new Mycron Shares arising from the exercise of the Warrants

The Rights Shares and the new Mycron Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up Mycron Shares, save and except that the Rights Shares and the new Mycron Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotment and/or distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares and the new Mycron Shares to be issued arising from the exercise of the Warrants.

The holders of the Warrants will not be entitled to any voting rights or participation in any form of the distribution and/or offer of further securities in the Company until and unless such holders of the Warrants exercise their Warrants into new Mycron Shares.

2.5 Listing of and quotation for the Rights Shares, Warrants and new Mycron Shares to be issued arising from the exercise of the Warrants

Approval-in-principle has been obtained from Bursa Securities, vide its letter dated 15 February 2018, for the following: -

- (i) listing of up to 56,709,091 new Mycron Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) admission to the Official List and listing of up to 28,354,546 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants; and
- (iii) listing of up to 28,354,546 new Mycron Shares to be issued pursuant to the exercise of the Warrants,

on the Main Market of Bursa Securities.

2.6 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are set out below: -

- Issue size : Up to 28,354,546 Warrants to be issued in conjunction with the Proposed Rights Issue with Warrants.
- Form and denomination : The Warrants will be issued in registered form and constituted by the Deed Poll.
- Mode of exercise : The registered holder of the Warrant is required to lodge a duly completed, signed and stamped exercise notice as set out in the Deed Poll, with the Company's registrar, together with payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance with the Deed Poll.
- Exercise price : The exercise price of the Warrants shall be determined and fixed by the Board and announced at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, subject to the adjustments in accordance with the provisions of the Deed Poll.

- Exercise rights : Each Warrant carries the entitlement, at any time during the exercise period to subscribe for one (1) new Mycron Share at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll.
- Exercise period : The Warrants may be exercised at any time within five (5) years commencing on and including the date of issuance of the Warrants and would end at 5.00 p.m. on the date preceding the fifth (5th) anniversary of the date of issuance, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day, but excluding the three (3) clear Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors of Mycron and/or warrants register is or are closed. The Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
- Listing status : An application will be made to Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities, and for the listing of and quotation for Warrants and the new Mycron Shares arising from the exercise of the Warrants will be listed on the Main Market of Bursa Securities.
- Tradability and board lot : The Warrants are tradeable upon listing. For purposes of trading on Bursa Securities and subject to such conditions which Bursa Securities may impose from time to time, one (1) board lot of Warrants shall comprise of 100 Warrants carrying the right to subscribe for 100 new Mycron Shares at any time during the exercise period or such denomination as permitted by Bursa Securities.
- Adjustments in the exercise price and/or number of Warrants : The exercise price and/or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll. If the Company in any way modify the rights attached to any share or loan capital which is not described in the Deed Poll so as to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire or subscribe for new shares, the Company must appoint a principal adviser or the auditors (who shall act as experts) to consider whether any adjustment is appropriate, and if the directors of the Company after such consultation determine that any adjustment is appropriate, the exercise price or the number of Warrants or both, will be adjusted accordingly.
- Rights in the event of winding up, liquidation, compromise and/or arrangement : Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then every Warrant holder shall be entitled to, subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks after the granting of the court order approving the winding-up, compromise or arrangement, as the case may be, by the irrevocable surrender of his/her Warrants to the Company, elect to be treated as if he/she had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the exercise rights represented by his/her Warrants to the extent specified in the subscription forms and be entitled to receive out of the assets of the Company which would be available in liquidation if he/she had on such date been the holder of the Mycron Shares to which he/she would have become

entitled pursuant to such exercise and the liquidator of the Company will give effect to such election accordingly.

Modifications : Save for manifest error, any modification, amendment, deletion or addition to the Deed Poll shall require the approval of the holders of Warrants sanctioned by special resolution and may be effected only by the Deed Poll, executed by the Company and expressed to be supplemental hereto and subject to the approval of the relevant authorities, if necessary.

Governing Law : The Deed Poll shall be governed by the laws of Malaysia.

2.7 Utilisation of proceeds

At the indicative issue price of RM0.50 per Rights Share, the Proposed Rights Issue with Warrants will raise between approximately RM10.80 million and RM28.36 million based on the following scenarios, with the following intended utilisation: -

Proposed Utilisation	Expected time frame for utilisation of proceeds from the date of listing of the Rights Shares	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Capital expenditure ⁽¹⁾	Within 12 months	10,100	15,000
Working capital ⁽²⁾	Within 12 months	-	12,655
Estimated expenses in relation to the Proposed Rights Issue with Warrants ⁽³⁾	Within 1 month	700	700
Total		10,800	28,355

Notes: -

(1) *The Group intends to utilise up to RM15.00 million of the proceeds raised from the Proposed Rights Issue with Warrants to partially finance its wholly-owned subsidiary, MSCRC planned revamp of its aging Continuous Pickling Line and the construction of a new Acid Regeneration Plant.*

The Continuous Pickling Line is the first stage of the cold-rolled-coil manufacturing process, where the raw material hot-rolled coils is subjected to an acid-bath to be pickled and de-scaled for a clean surface before moving to the next processing stage. The acid used in the aforementioned process loses its concentration and needs to be topped-up and replaced regularly. The objective of the new Acid Regeneration Plant is to retreat the 'used acid' for use again in the pickling process in a closed-loop manner. The Acid Regeneration Plant is expected to reduce acid consumption by 95% per year; whilst, the revamp of the Continuous Pickling Line which entails extensive replacement of machine and equipment would significantly extend the economic useful life of the line.

(2) *If available, the Group intends to utilise up to RM12.66 million of the proceeds raised from the Proposed Rights Issue with Warrants to finance the working capital of its wholly-owned subsidiaries, MSCRC and MSTSB at the proportion deemed fit in relation to their purchase of raw material coils, and credit sales financing needs. Any shortfall shall be sourced from the Company's internally-generated funds.*

(3) *The estimated expenses in relation to the Proposed Rights Issue with Warrants consist of professional fees, fees payable to the relevant authorities, expenses to convene the EGM and other ancillary expenses. Any surplus or shortfall for the estimated expenses in relation to the Proposed Rights Issue with Warrants shall be adjusted accordingly against the allocation for the working capital of MSTSB and MSCRC.*

The actual proceeds to be raised from the Proposed Rights Issue with Warrants are dependent on the subscription level of the Proposed Rights Issue with Warrants. Any variation to the actual proceeds raised will be adjusted against the amount allocated for the working capital purposes of the Group.

The actual proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants as well as the exercise price which will be determined and fixed by the Board at a later date. Such proceeds will be utilised for the working capital of Mycron Group, with the timing and breakdown to be determined at a later date.

2.8 Entitled Shareholders with foreign address

If the Proposed Rights Issue with Warrants is implemented, an Abridged Prospectus, which will be issued together with the accompanying Notice of Provisional Allotment and Rights Subscription Form (collectively, the "**Documents**") in connection with the Proposed Rights Issue with Warrants are not and will not be made to comply with the laws of any countries or jurisdictions other than Malaysia, and have not and will not be registered under any applicable securities legislation of any jurisdictions other than Malaysia, and the Proposed Rights Issue with Warrants will not be offered for purchase or subscription in any country other than Malaysia.

The Documents will not be issued, circulated or despatched to foreign-addressed Entitled Shareholders who have not provided an address in Malaysia for the service of the Documents as at the Entitlement Date. Foreign-addressed Entitled Shareholders may, prior to the Entitlement Date, provide an address in Malaysia for service of the Documents.

Alternatively, such foreign-addressed Entitled Shareholders may collect the Documents from Mycron's share registrar who shall be entitled to request for such evidence (i.e., identification or authorisation documents) as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the Documents.

Mycron and/or its share registrar will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in Mycron's Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign-addressed Entitled Shareholders may only exercise their rights in respect of the Proposed Rights Issue with Warrants to the extent that it would be lawful to do so, and Mycron and/or TA Securities would not, in connection with the Proposed Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction to which the foreign-addressed Entitled Shareholders and/or their renounee(s) might be subject to.

Foreign-addressed Entitled Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and Mycron shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. Such applicants will have no claims whatsoever against Mycron, Mycron's share registrar and/or TA Securities in respect of their rights or entitlements under the Proposed Rights Issue with Warrants. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue with Warrants.

Foreign-addressed Entitled Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the foreign-addressed Entitled Shareholders in the Proposed Rights Issue with Warrants shall be on the basis of a warranty by them that they may lawfully so participate without Mycron and/or TA Securities being in breach of the laws of any jurisdiction.

Neither Mycron, TA Securities nor any other advisers to the Proposed Rights Issue with Warrants shall accept any responsibility or liability in the event that any acceptance of a foreign-addressed Entitled Shareholder of his/her rights in respect of the Proposed Rights Issue with Warrants is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Mycron reserves the right in its discretion to treat any acceptance as being invalid if it believes or has reason to believe that such acceptance may violate applicable legal or regulatory requirements.

3. DETAILS OF THE PROPOSED ACQUISITION

On 20 November 2017, MST and MIGB entered into the SPA for the acquisition of the Property by MST from MIGB free from encumbrances for a cash consideration of RM26.0 million.

3.1 Information on MIGB

MIGB was incorporated in Malaysia under the Companies Act, 1965 on 24 February 1969 as a private limited company under the name of Aurora Steel Tube Manufacturing Sendirian Berhad (“**Aurora**”). On 2 November 1972, Aurora changed its name to Maruichi Malaysia Steel Tube Sendirian Berhad (“**Maruichi**”). On 25 September 1975, Maruichi was converted into a public company and was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as Main Market of Bursa Securities) on 26 February 1986. MIGB assumed its present name on 5 December 2003.

As at the LPD, the share capital of MIGB is RM226,996,855 comprising 225,522,808 ordinary shares.

MIGB is principally involved in property investment and investment holding. Its subsidiaries are principally involved in the following: -

- (i) investment holding, property investment and the provision of management services to its subsidiaries;
- (ii) manufacturing, distribution and trading of steel pipes and tubes;
- (iii) manufacturing and trading of steel cold rolled coiled sheets;
- (iv) the provision of scrap metals handling services to its related companies;
- (v) business of engineering, technical consultancy and advisory and the provision of complete engineering and technical services; and
- (vi) constructing, supplying and marketing of quick assembly homes.

The directors of MIGB and their respective shareholdings in MIGB are as follows: -

Name	Direct			Indirect		
	No. of shares in MIGB	%	No. of share in MIGB	%		
TDYK	-	-	82,381,232	(a)36.5		
Azlan bin Abdullah	133,333	0.06	-	-		
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	-	-		
Shazal Yusuf bin Mohamed Zain	-	-	-	-		
Muk Sai Tat	-	-	-	-		
General Tan Sri Dato' Sri Hj Suleiman Bin Mahmud RMAF (Rtd)	-	-	-	-		

Name	Direct			Indirect		
	No. of shares in MIGB	of in	%	No. of share in MIGB	of in	%
Dato' Indera Naresh Mohan	-	-	-	-	-	-

Note: -

(a) Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major/substantial shareholders of MIGB.

As at the LPD, the substantial shareholders of MIGB and their respective shareholdings in MIGB are as follows: -

Name	Direct			Indirect		
	No. of shares in MIGB	of in	%	No. of shares in MIGB	of in	%
MEL	60,379,733		26.8	-		-
MKSB	22,001,499		9.8	-		-
KLB	-		-	82,381,232		(a)36.5
TDYK	-		-	82,381,232		(b)36.5

Notes: -

(a) Deemed indirect interest by virtue of it being the holding company of MEL and MKSB who are the major/substantial shareholders of MIGB.

(b) Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major/substantial shareholders of MIGB.

3.2 Information on the Property

MIGB is the registered owner of the Property. The details of the Property are set out in the table below: -

Details		
Parent Particulars	Title	Title No. HSD 166735, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with its postal address at Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan
Description		An industrial land comprising of a single storey detached factory with a double (2)-storey office annexed, a free standing three storey office building and other ancillary buildings
Land area (sq. metre)*		Approximately 18,222 (approximately 196,144 sq. ft.)
Gross floor area (sq. metre)		Approximately 12,078 (approximately 130,002 sq. ft.)
Tenure/Expiry date		Leasehold interest for 99 years, expiring on 22 nd May 2078
Age of the building		Approximately 26 years old
Existing use/proposed use		Factory cum office building

Details	
Encumbrances	Charged to OCBC Bank (Malaysia) Berhad which was registered on 25 August 2011
Audited net book value (based on fair value) as at 30 June 2017	RM26,000,000
Market Value	RM26,000,000
Details of rental	The Property is presently tenanted to MST which shall be expiring on 30 April 2021.
Current rental income per month/per annum	RM126,500 per month or RM1,518,000 per annum
Date of valuation	20 September 2017
Methods of valuation	Cost Approach ⁽¹⁾ and Income Capitalisation Approach (Investment Method) ⁽²⁾

Notes: -

* *As per the Certified Plan No. PA 10-057875 prepared by the Jabatan Ukur Dan Pemetaan Selangor Malaysia, the Property is identified as Lot No. 198 and with a surveyed land area of 18,237 square metres.*

⁽¹⁾ *In the Cost Approach, the value of the land is added to the replacement cost anew of the building and other site improvements, which has been adjusted for obsolescence and the market factor/elements inherent therein.*

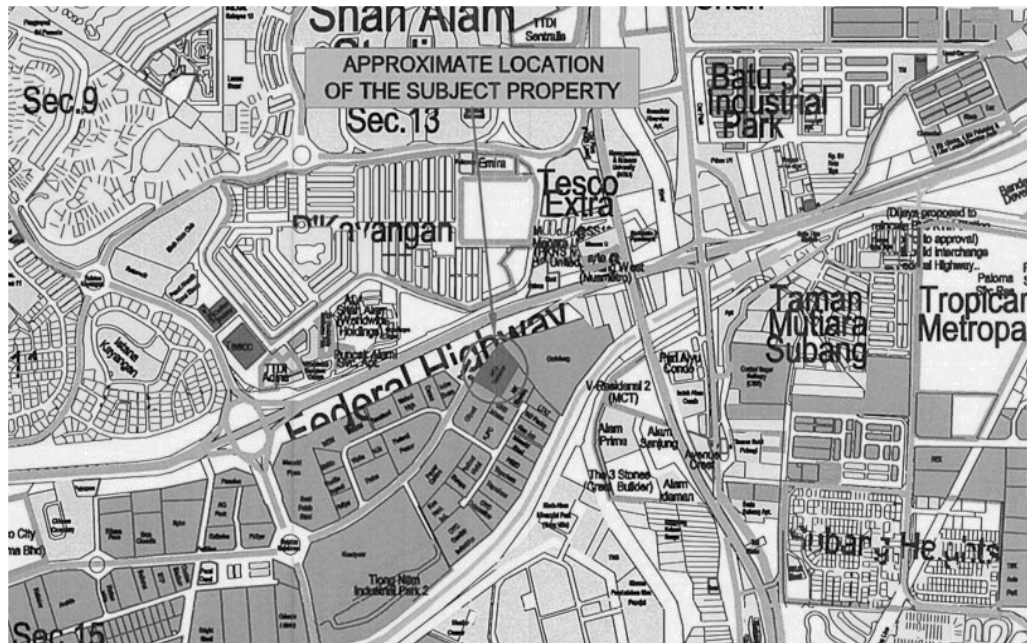
The value of the site is determined by comparison with similar lands that have been sold recently and those that are currently being offered for sale in the vicinity with appropriate adjustments made to reflect dissimilarities to arrive at the value of the subject land as an improved site.

The replacement cost anew of a building is derived from the construction cost anew of the said building based on current market prices of materials and labour, and present construction techniques and deducting therefrom the accrued obsolescences due to wear and tear, age and obsolescence through technology and market changes, etc.

⁽²⁾ *In the Income Capitalisation Approach (Investment Method), the annual rental income presently received or expected to command over a period of time relating to the Property is estimated and the expenses or outgoings incidental to the ownership of the Property is deducted therefrom to obtain the net annual rental value. This net annual income is then capitalised at an appropriate capitalisation rate or years purchase figure to arrive at the present capital value of the Property.*

The relevant capitalisation rate is chosen based on the investment rate of return to be expected from the type of property concerned taking into consideration such factors as risk, capital appreciation, security of income, ease of sale and management of the Property.

The Property bears direct frontage onto Persiaran Selangor, an arterial road within Seksyen 15, Shah Alam, Selangor. The latter is situated about 20 kilometres to the south-west of the Petaling Jaya town centre and about 4 kilometres to the south-east of Shah Alam town centre.



Access to the Property is easily available from the Federal Highway either by way of a slip road leading to Persiaran Selangor or via Bulatan Melawati, Persiaran Tengku Ampuan, Bulatan Sejahtera and thereafter onto Persiaran Selangor, the metalled frontage road. An alternative access to the Property from Shah Alam Expressway (KESAS Highway) i.e. via the Hicom/Puchong exit is by way of Persiaran Kuala Selangor, Persiaran Tengku Ampuan, Bulatan Sejahtera and thence onto Persiaran Selangor.

The Property is a plot of industrial land, regular in shape and contains a provisional land area of approximately 18,221.78 square metres (196,144 square feet). This land area has been resurveyed to 18,237 square metres (approximately 196,301 square feet) as per Certified Plan No. PA 10-057875. It has a frontage width of approximately 173.78 metres onto Persiaran Selangor and a depth of up to about 108.06 metres long. Its elongated frontage onto the arterial road of Persiaran Selangor provides the Property a good visibility exposure.

The land is generally flat in terrain and lies about the same level as the frontage road and neighbouring lands.

The site boundaries are generally demarcated by metal railings remounted onto low plastered brick walls, whilst the side and rear boundaries are generally demarcated with chain link fencing and metal deck claddings. The entrance of the Property is secured with an automatic sliding metal gate and further secured by a guard house at its exit point.

The driveway and internal circulation areas are generally concreted and tarmacked upon with parking bays provided within the compound.

3.3 Basis of arriving at the Purchase Consideration

The Purchase Consideration was arrived at based on a willing-buyer willing-seller basis after taking into consideration the market value of the Property of RM26,000,000 as appraised by the Valuer vide its valuation report dated 31 October 2017 using the Cost Approach and cross checked with the Income Capitalisation Approach of valuation. The Valuer adopted the Cost Approach as the most appropriate measure to value, as the Income Capitalisation Approach is premised on rentals that are set below rack levels due to the old state of the buildings and had been tenanted to a related party i.e. MST and thus not reflecting the highest and the best value of the property.

3.4 Salient terms of the SPA

The salient terms and conditions of the SPA include, amongst others, the following: -

3.4.1 Sale and Purchase

MIGB agrees to sell to MST and MST agrees to purchase from MIGB the Property: -

- (a) on an “as is where is” basis as at the date of the SPA, fair wear and tear excepted;
- (b) free from all encumbrances and caveats;
- (c) subject to all conditions of title (express and implied); and
- (d) upon the terms and conditions contained in the SPA for the consideration stated in Section 3.4.3 below.

3.4.2 Conditions Precedent

It is agreed between the parties that the SPA is conditional upon and subject to the following conditions precedent: -

- (a) MST being able to secure a Loan from a Bank to part finance the purchase of the Property;
- (b) where required, the consent of MST’s lender(s) for the borrowing by MST of the Loan shall have been obtained;
- (c) the approval of the shareholders of Mycron, the holding company of MST for the purchase of the Property from MIGB shall have been obtained;
- (d) State Authority Consent shall have been obtained;
- (e) the Existing Charge shall have been duly discharged; and
- (f) where required, any other regulatory approvals and/or consents for the sale and transfer of the Property shall have been obtained.

(collectively referred to as “**Conditions Precedent**”).

In the event the Conditions Precedent or any of them is not obtained within the Condition Period, the Vendor and the Purchaser may mutually agree in writing to such extended period or periods to fulfill the Conditions Precedent.

In the event any of the Conditions Precedent is not fulfilled or waived within the Condition Period or by the expiration of the Extended Condition Period, as the case may be, the SPA will terminate and thereafter be null and void and Section 3.4.7, Part A of this Circular shall apply.

3.4.3 Manner of Payment of Purchase Consideration

- (a) Simultaneously with the execution of the SPA, the Purchaser will pay the Deposit in the following manner: -
 - (i) the sum of Ringgit Malaysia One Million Eight Hundred and Twenty Thousand (RM1,820,000) to MIGB directly;
 - (ii) the sum of Ringgit Malaysia Seven Hundred and Eighty Thousand (RM780,000) (“**Retention Sum**”) to the Purchaser’s Solicitors who shall hold the Retention Sum as stakeholder and forward the

Retention Sum to the Director-General of Inland Revenue within sixty (60) days of obtaining the State Authority Consent.

Prior to forwarding the Retention Sum to the Director-General of Inland Revenue, the Stakeholder is authorised to place the same in a fixed deposit account with a licensed financial institution, and all accrued interest shall be for the account of the Vendor unless the events specified in Section 3.4.6 or 3.4.7 Part A of this Circular shall occur, in which case such accrued interest shall be for the account of the Purchaser.

- (b) The Balance Purchase Price will be paid in the following manner: -
 - (i) The Balance Purchase Price and Interest (if applicable) must be paid by the Purchaser to the Stakeholder in accordance with Section 3.4.3(c) below not later than the Last Day in exchange for the Said Documents to be deposited by the Vendor with the Purchaser's Solicitors whereupon the Purchaser will be deemed to have discharged in full the Purchaser's obligations to pay the Balance Purchase Price to the Vendor.
 - (ii) In the event the Purchaser fails to pay the Balance Purchase Price upon expiry of the Completion Period, the Extended Completion Period will be automatically invoked provided always that the Balance Purchase Price and the Interest must be paid on or before the Last Day.
- (c) The Stakeholder is expressly authorised by the parties to release the Balance Purchase Price to the Vendor seven (7) days after the Instrument of Transfer and all other relevant documents have been presented for registration at the appropriate land office/registry or fourteen (14) days after the Purchaser's Solicitors' or the Bank's solicitors' receipt of the Said Documents, whichever is the later.

3.4.4 Delivery of Legal Possession

The Property is currently tenanted by the Purchaser, and legal possession of the Property shall be deemed delivered to the Purchaser on the Completion Date.

On Completion Date, the parties agree that the tenancy agreement dated 1 May 2014 made between the Vendor and the Purchaser in relation to the Property (including any subsequent renewals entered into) will be mutually terminated.

3.4.5 Default by Purchaser

In the event that: -

- (a) the Purchaser fails to pay the Balance Purchase Price or any other sum covenanted in accordance with the provisions of the SPA; or
- (b) the Purchaser fails to observe or perform or otherwise be in breach of any of the terms, conditions or covenants of the SPA; or
- (c) any warranties and representations of the Purchaser is incorrect or inaccurate or misleading in any respect; or
- (d) the Instrument of Transfer cannot be registered for any reason whatsoever due to the default, willful neglect, omission or blameworthy conduct on the part of the Purchaser,

and such failure or breach or reason for non-registration (other than an obligation of the type referred to in Section 3.4.5(a) above), is not

remedied by the Purchaser within fourteen (14) days after the Vendor has given written notice to the Purchaser to remedy such failure or breach, the Vendor will be entitled, at the cost and expense of the Purchaser, and at the Vendor's sole discretion to terminate the SPA at any time by giving a written notice to the Purchaser.

Upon termination, the Vendor is entitled to forfeit the Deposit as agreed liquidated damages whereupon the Purchaser must, at the Purchaser's own cost and expense, within fourteen (14) days from the date of receiving the termination notice from the Vendor: -

- (a) immediately remove all encumbrance and caveat, if any, on the Property attributable to the Purchaser; and
- (b) return to the Vendor all documents delivered by the Vendor to the Purchaser and/or the Purchaser's Solicitors and/or the Bank's solicitors under the provisions of the SPA with the Vendor's interest in the Property remaining intact;

in exchange for the refund by the Vendor to the Purchaser and/or the Bank of all moneys (save and except for the Deposit) paid towards account of the Purchase Consideration without any interest being payable whereupon the SPA will terminate and cease to be of any further effect and thereafter the Vendor shall be entitled to sell or otherwise deal with the Property in such manner as the Vendor deems fit.

3.4.6 Default by Vendor

In the event that: -

- (a) the Vendor fails to observe or perform or otherwise be in breach of any of the terms, conditions or covenants of the SPA; or
- (b) any warranties and representations of the Vendor is incorrect or inaccurate or misleading in any respect; or
- (c) the Instrument of Transfer cannot be registered for any reason whatsoever due to the default, wilful neglect, omission or blameworthy conduct on the part of the Vendor,

and such failure or breach or reason for non-registration is not remedied by the Vendor within fourteen (14) days after the Purchaser has given written notice to the Vendor to remedy such failure or breach, the Purchaser will be entitled, at the cost and expense of the Vendor, and at the Purchaser's sole discretion to the following remedies: -

- (a) to the remedy of specific performance of the SPA against the Vendor; or
- (b) to terminate the SPA at any time by giving a written notice to the Vendor and upon such termination, the Vendor must within fourteen (14) days from the date of receiving the termination notice refund or caused to be refunded to the Purchaser all moneys including the Deposit paid towards account of the Purchase Consideration without any interest being payable together with a further sum equivalent to the Deposit as agreed liquidated damages in exchange for: -
 - (i) the immediate removal of all encumbrance and caveat, if any, on the Property attributable to the Purchaser; and
 - (ii) the return to the Vendor of all documents delivered by the Vendor to the Purchaser and/or the Purchaser's Solicitors and/or the Bank's solicitors under the provisions of the SPA with the Vendor's interest in the Property remaining intact;

whereupon the SPA will terminate and cease to be of any further effect and thereafter the Vendor shall be entitled to sell or otherwise deal with the Property in such manner as the Vendor deems fit.

3.4.7 Non-Registration of Transfer/Documents

- (a) In the event that the Instrument of Transfer cannot be registered for any reason whatsoever, save and except where there is any default, wilful neglect, omission or blameworthy conduct on the part of the Vendor or the Purchaser, each party will use its best endeavours: -
- (i) to ascertain the cause or reason for such non-acceptance or rejection or non-registration, as the case may be
 - (ii) to rectify, remedy and/or overcome such cause or reason; and
 - (iii) to cause the Instrument of Transfer to be accepted for registration and/or registered,

and in the event that such cause or reason cannot be or is not rectified, remedied and/or overcome within a period of one (1) month from the date of such non-registration is made known to the Purchaser, or such other extended period as may be agreed by the Purchaser, a termination event will occur where the Purchaser may elect to terminate the SPA in accordance with Section 3.4.7 (b) below.

- (b) Upon the Purchaser electing to terminate the SPA, the Purchaser will at the Purchaser's own cost and expense: -
- (i) remove all encumbrances and/or caveat, if any, on the Property attributable to the Purchaser; and
 - (ii) return to the Vendor all documents delivered by the Vendor to the Purchaser and/or the Purchaser's Solicitors and/or the Bank's solicitors with the Vendor's interest in the Property remaining intact;

in exchange for the refund by the Vendor to the Purchaser and/or the Bank of all moneys including the Deposit and all monies paid towards account of the Purchase Consideration without interest, which refund must in any event be made within fourteen (14) days from the date of the Purchaser electing to terminate the SPA whereupon the SPA shall terminate and cease to be of any further effect.

3.4.8 Interest

The Purchaser will pay Interest on the unpaid portion of the Balance Purchase Price during the Extended Completion Period or any part of it and Interest is to be calculated on a daily basis from the first (1st) day of the Extended Completion Period until the date of full payment of the Balance Purchase Price.

In the event either party fails or refuses or neglects to refund any monies required to be refunded or paid to the other pursuant to Sections 3.4.5, 3.4.6 or 3.4.7 Part A of this Circular within the time stipulated, the party failing or refusing or neglecting to do so will be liable to pay to the other an additional interest of eight per centum (8%) per annum on the sum to be refunded or paid to the other calculated from the date due for the refund or payment until the date of receipt of the full refund or payment together with the said interest.

3.5 Original cost and date of investment

The original cost and date of investment in the Property by MIGB are set out below: -

Vendor	Subject Property HSD 166735 (Lot 53)	Year of Investment	Cost of Investment (RM)
MIGB	Land acquisition and related land improvement costs	1988-1989	2,457,541.95
	Buildings and infrastructure construction cost	1989-1991	8,119,245.23
Total			10,576,787.18

3.6 Source of funding

The Purchase Consideration is estimated to be funded through a combination of bank borrowings of RM23.40 million representing 90.0% of the Purchase Consideration and internally generated funds of RM2.60 million representing 10.0% of the Purchase Consideration. The exact breakdown of the source of funding for the Purchase Consideration will be decided at a later date taking into consideration the Group's gearing level, interest costs as well as internal cash requirements for the Group's business operations.

3.7 Liabilities to be assumed and estimated financial commitments pursuant to the Proposed Acquisition

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the SPA and the Loan, there are no other liabilities, including contingent liabilities and guarantees to be assumed by Mycron Group pursuant to the Proposed Acquisition. The Board does not expect to incur any additional commitment for the Proposed Acquisition in the near future.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants will enable Mycron Group to raise the necessary funding requirements as detailed in Section 2.7, Part A of this Circular.

After due consideration of the various fund raising methods available, the Board is of the view that the Proposed Rights Issue with Warrants is the most appropriate avenue of fund raising after taking into consideration, amongst others, that the Proposed Rights Issue with Warrants: -

- (i) enables Mycron Group to raise additional funds without incurring interest cost, compared to conventional bank borrowings;
- (ii) increases the size of the Company's shareholders' funds and potentially increases the liquidity of the Mycron Shares;
- (iii) provides an opportunity for the Entitled Shareholders to further increase their equity participation in the Company through the subscription of the Rights Shares and the exercise of the Warrants, which correspondingly increases their participation in the prospects and future growth of Mycron Group; and
- (iv) the Warrants which are attached to the Rights Shares are intended to provide an additional incentive to the Entitled Shareholders to subscribe for their Rights Shares. Subscription to the Rights Shares and accordingly the Warrants would enable the Entitled Shareholders to benefit from any potential capital appreciation arising thereof.

4.2 Proposed Acquisition

The Proposed Acquisition is undertaken in order to utilise the Property as the corporate office of MST. At present, the corporate office and factory of MST is on the Property, rented from MIGB at a monthly rental of RM126,500. By occupying its own corporate office and factory, the Proposed Acquisition will provide MST with operational cost savings arising from rental expenses of RM1,518,000 per annum. The Proposed Acquisition will allow the Group to eliminate the risk of rental increases each time the tenancy expires.

The Board is confident of the prospects of the Property after taking into consideration that the Property is well-sited upon for industrial disposition, both at the micro and macro levels, due to its enhanced accessibility and connectivity to essential services and sources of labour in the locality and region.

5. OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

For the fourth quarter of 2017, the Malaysian economy registered a growth of 5.9% (3Q 2017: 6.2%) as private sector spending continued to be the primary driver of growth (7.4%; 3Q 2017: 7.3%). The external sector performance improved further (5.4%; 3Q 2017: 1.7%), as real import growth moderated faster than real export growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (3Q 2017: 1.8%). For the year as a whole, the economy registered a robust growth of 5.9%.

Domestic demand expanded by 6.2% (3Q 2017: 6.6%) supported by continued strength in private sector expenditure (7.4%; 3Q 2017: 7.3%), amid waning support from public sector spending (3.4%; 3Q 2017: 4.0%).

On the supply side, most economic sectors recorded a moderate expansion, except for the agriculture sector, while growth in the mining sector declined.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2017, Quarterly Bulletin, Bank Negara Malaysia).

The global economy is expected to expand 3.7% in 2018 (2017: 3.6%). The advanced economies are projected to register growth of 2% (2017: 2.2%), supported by strong domestic and external demand. In the emerging market and developing economies, GDP is expected to improve 4.9% (2017: 4.6%), mainly supported by higher global demand and rising market confidence, particularly in China, India and ASEAN. However, the global economy will still face some downside risks due to policy uncertainties in the major economies, rising protectionism, geopolitical tensions, the effects of climate change, and volatility in the financial markets.

The Malaysian economy will remain resilient in 2018, with real GDP expanding between 5.0% and 5.5%, led by domestic demand. Private sector expenditure continues to be the primary driver of growth with private investment and consumption growing 8.9% and 6.8%, respectively. Meanwhile, public sector expenditure is forecast to decline, in line with lower capital outlays by public corporations. On the supply side, growth is expected to be broad based, with all sectors registering positive growth. Malaysia's external position is forecast to remain favourable supported by global growth and trade.

Against this backdrop, the nominal Gross National Income (“GNI”) per capita is expected to increase 5.1% from RM40,713 in 2017 to RM42,777 in 2018. With investment growing at a faster pace, the savings-investment gap will narrow to 2.3% of GNI. The economy will continue to operate under conditions of full employment with an unemployment rate of below 4%, while inflation remains benign. In line with fiscal consolidation efforts, the fiscal deficit will further decline to 2.8% of GDP in 2018 (2017: 3%). Accordingly, the Federal Government debt remains sustainable within the prudent limit of 55% of GDP. These developments will further strengthen the nation's economic fundamentals and resilience to further propel the country towards the milestones of an

advanced and high-income nation by 2020, doubling the size of the economy to RM2 trillion in 2025 and joining the ranks of top 20 countries by 2050.

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

5.2 Overview and outlook of the steel industry in Malaysia

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

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

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

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

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

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

The World Steel Association (“**Worldsteel**”) today released its October 2017 Short Range Outlook (“**SRO**”). Worldsteel forecasts global steel demand will reach 1,622.1 Mt in 2017. In 2018, it is forecast that global steel demand will reach 1,648.1 Mt.

Worldsteel forecasts that global steel demand excluding China will reach 856.4 Mt, an increase of 2.6% in 2017 and 882.4 Mt, an increase of 3.0% in 2018.

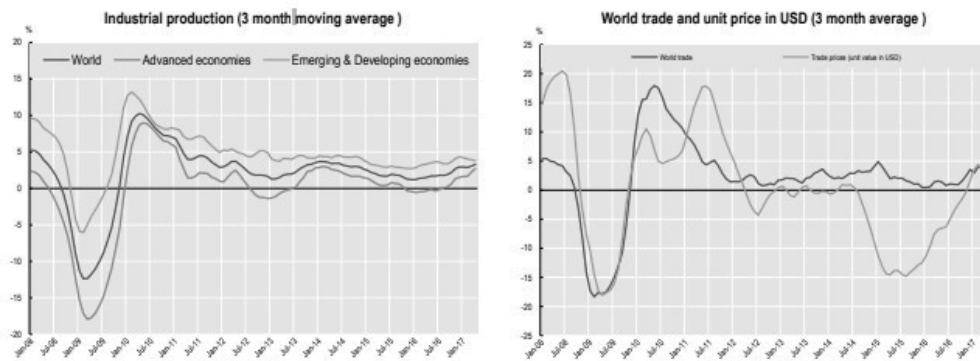
In 2018, Worldsteel expects global growth to moderate, mainly due to slower growth in China, while in the rest of the world, steel demand will continue to maintain its current momentum. Developing countries benefit from a strengthening global economy. ASEAN remains a high growth region, especially Vietnam and the Philippines, while more mature economies such as Thailand and Malaysia are showing slower growth. Steel demand in the developing economies excluding China is expected to grow by 2.8% in 2017 and 4.9% in 2018.

(Source: *Short Range Outlook October 2017, Worldsteel Association*).

Recent months have seen a modest pick-up in global economic growth, both in advanced and in emerging economies, after years of sluggish developments. World industrial production has improved in recent months, mostly driven by industrial output in advanced economies (Figure 1). Global trade and commodity prices have also picked up since the last year, despite increasing trade frictions.

Figure 1. World industrial production, trade, and trade prices

% change from one year earlier



Source: Netherlands Bureau for Economic Policy Analysis (CPB).

According to the OECD's June 2017 Economic Outlook, world GDP growth is expected to remain relatively weak, despite a gradual improvement from 3% in 2016 to a projected 3.5% in 2017 and 3.6% in 2018 (see Table 1 below for the latest OECD GDP growth forecasts). The OECD revised its forecasts for global growth in 2017 slightly upwards compared to the 3.3% growth projected in the OECD's March 2017 Interim Economic Outlook.

Steel market sentiment has improved since 2016, potentially pushed higher by the increase of steel prices, modest improvements in steel demand and expectations about capacity reductions. However, the improvement could prove temporary given the extent of the unaddressed underlying structural imbalances coupled with sluggish demand growth in the years to come.

(Source: *Steel Market Developments 4th Quarter 2017, Organisation for Economic Cooperation and Development*).

In 2016, Malaysia maintained its ranking as the world's fifteenth-largest steel importer. Malaysia imported 8.9 million metric tons of steel in 2016, a 16 percent increase from 7.7 million metric tons in 2015. Malaysia's imports represented about 2 percent of all steel imported globally in 2016. The volume of Malaysia's 2016 steel imports was more than a third the size of the world's third-largest and Asia's largest importer, South Korea. In value terms, steel represented just 3 percent of the total goods imported into Malaysia in 2016.

In 2016, the volume of Malaysia's steel imports increased by 16 percent to 8.9 million metric tons from 7.7 million metric tons in 2015. By contrast, the value of Malaysia's

2016 steel imports decreased by 1.2 percent to \$5 billion from \$5.1 billion in 2015, which can be attributed to a significant drop in global steel prices.

Flat products accounted for 46 percent of Malaysia's steel imports by volume in 2016, with a total of 4.1 million metric tons. Long products represented 42 percent of Malaysia's imports, with 3.7 million metric tons. Pipe and tube steel products moved up to the third position at 6 percent of the total import share (510 thousand metric tons), followed by stainless steel products at 5 percent of Malaysia's imports (436 thousand metric tons) and lastly semi-finished steel at 2 percent of steel imports (190 thousand metric tons).

Malaysia's crude steel production decreased by 29 percent between 2009 and 2015. Between 2015 and 2016, production increased 5 percent to 4 million metric tons. Apparent consumption (a measure of steel demand), however, has been increasing. Demand grew by 55 percent between 2009 and 2016 — and 18 percent between 2015 and 2016 alone — as demand significantly outpaced production. With rising import levels, more than twice as large as Malaysia's production in 2016, imports contribute substantially to steel demand. Import penetration increased nearly every year since 2009, peaking at 79 percent in 2009. In 2016, import penetration declined 2 percent to 77.2 percent.

(Source: Global Steel Trade Monitor (Steel Imports Report: Malaysia) May 2017, International Trade Administration).

5.3 Malaysian and Selangor Property Market

According to the Annual Property Market Report of 2016, the volume and value of property transactions have dropped by 11.5%, from 362,105 transactions in 2015 to 320,425 transactions in 2016, and 3.0% from RM 149.90 billion in 2015 to RM 145.41 billion in 2016, respectively. The table below summarizes the state of the market between 2015 and 2016: -

Year	Volume of Property Transactions	Value of Property Transactions
2016	320,425	145.41 billion
2015	362,105	149.90 billion

By sector, the residential sub-sector continues to maintain its dominant position since 2001, at about 63.4% of the total property market activities, followed by agricultural (21.6%), commercial (7.4%), development land (5.9%) and industrial (1.8%). In terms of value of property transactions, the residential sub-sectors also remained the highest, followed by commercial, development land, agricultural and industrial.

Despite the drop of 4.3% in the total volume of property transactions from 15,635 transactions in 1Q 2016 to 14,956 transactions in 1Q 2017, the total value of the property transactions in Selangor has grown 11.5% from RM8.662 billion in 1Q 2016 to RM9.655 billion in 1Q 2017, indicating that the property market in Selangor is still promising.

The total volume of the industrial sub-sector in Selangor increased slightly by 4.0% from 349 transactions in 1Q 2016 to 363 transactions in 1Q 2017. However, the total value of industrial property transactions has experienced a huge growth of 41.0% from RM898.07 million in 1Q 2016 to RM1.267 billion in 1Q 2017.

The subject property is categorised as a detached factory and located in the district of Petaling. In Selangor, there were 45 detached factories that were transacted with a total value of RM488.42 million in 1Q 2017; a steep rise of approximately 75.0% compared to 26 detached factories with the value of RM272.26 million in 1Q 2016. Despite the growth in both the total volume and value of the transactions in the district, the average transacted value of the detached factories remained stable.

(Source: Valuation Report).

5.4 Prospects of the Property

The subject property comprises a single-storey detached factory with a double-storey office annex, a free-standing three-storey office building and other ancillary buildings, which is located within an established industrial area in Seksyen 15, Shah Alam. This industrial area generally consists of detached factories cum office buildings of individual design, purposed-built factories as well as shop/offices and shop/houses, and houses several notable industrial premises, namely Federal Metal Printing Factory Sdn Bhd, Power Cables Malaysia Sdn Bhd, Syarikat Aksesori Electrical (Schneider) Sdn Bhd, Kompleks Perusahaan LTAT, just to name a few.

The subject property bears direct frontage onto Persiaran Selangor, an arterial road within Seksyen 15, Shah Alam. The latter is located approximately 20 kilometres to the south-west of Petaling Jaya town centre and about 4 kilometres to the south-east of Shah Alam town centre. In addition, the locality is easily accessible and well connected to major highways, i.e. Federal Highway and Lebuhraya Kemuning-Shah Alam (LAKSA) via Persiaran Selangor and Persiaran Raja Muda.

Transportation is however limited to private mode at present. The subject property is located within close proximity to Shah Alam city centre and a number of matured residential areas, i.e. Seksyen 2, Seksyen 3, Seksyen 4, Seksyen 18 and Seksyen 19 of Shah Alam, just to name a few, which consist predominantly of landed housing schemes.

From the foregoing, it is obvious that the subject property is indeed well-sited upon for industrial disposition, both at the micro and macro level, due to its enhanced accessibility and connectivity to essential services and sources of labor in the locality and region.

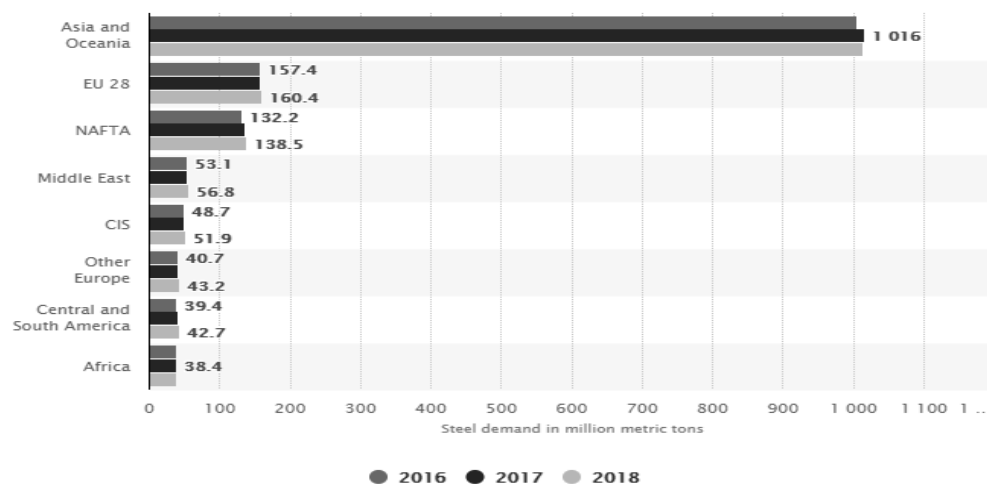
Besides the above, based on the Valuer's previous analysis, the overall industrial property market in Petaling and Shah Alam are also grounded on good fundamentals of healthy demand as there are no unsold units being recorded in the completed, under construction and yet to construct project categories during the review period. In fact, investors are capitalising on the investment opportunities in the industrial segment as the weaker ringgit and softer local economic market are creating lower entry criteria for foreign companies or investors to set up their manufacturing plants/factories/warehouses in the prime industrial areas of Malaysia, such as in the Seksyen 15 precinct of Shah Alam City.

(Source: Valuation Report).

5.5 Prospects of Mycron Group

The Group expects the steel businesses in the mid-stream Cold Rolled Coil and Steel Tube manufacturing to continue recording positive earnings in the near term future, based on the six (6)-months unaudited financial statements for the period ended 31 December 2017, hence, contributing positively to the earnings per share of Mycron barring any significant unforeseen events to the steel market. Based on the latest audited consolidated financial statement of Mycron for the FYE 30 June 2017, Cold Rolled Coil and Steel Tube segments in aggregate contributed approximately 99.33% and 99.43% to the total revenue and net profit of Mycron Group, respectively. It is the Group's long-term view that the Malaysian government will continue to practise sound judgement in its flat steel policy, which bodes well for the Group's steel activities. The ability to keep Malaysia as a competitive manufacturer, whilst protecting its industries from unfair trade practices, takes great skill, and can only be achieved with open dialogue between regulators and industry.

Although the steel industry is highly competitive and is subject to significant global supply and demand anomalies, the prospects for the business remain positive, in view of the growing demand for steel in the Asia and Oceania region despite the soft economic outlook.



(Source: The Statistics Portal: Estimated demand for steel worldwide between 2016 and 2018, by region (in million metric tons)).

The Group's ability to maintain strict control on operating costs with consistent monitoring of production efficiencies also contribute positively to the steel segment's performance outlook.

(Source: The management of Mycron).

6. FINANCIAL EFFECTS OF THE PROPOSALS

6.1 Share capital

The Proposed Acquisition would not have any effect on the share capital of Mycron as there is no issuance of new Mycron Shares.

The pro forma effects of the Proposed Rights Issue with Warrants on the issued and paid-up share capital of Mycron are set out below: -

	Minimum Scenario		Maximum Scenario	
	No. of Mycron Shares ('000)	Share Capital (RM'000)	No. of Mycron Shares ('000)	Share Capital (RM'000)
Issued and paid-up share capital as at LPD	283,545	206,364	283,545	206,364
To be issued pursuant to the Proposed Rights Issue with Warrants	21,600	10,800 [^]	56,710	28,355 [^]
	305,145	217,164	340,255	234,719
To be issued pursuant to the full exercise of the Warrants	10,800	4,752 [*]	28,354	12,476 [*]
Enlarged issued and paid-up share capital	315,945	221,916	368,609	247,195

Notes: -

[^] Based on indicative issue price of the Rights Share of RM0.50.

^{*} Based on the indicative exercise price of the Warrants of RM0.44.

6.2 Substantial Shareholders' Shareholdings

The Proposed Acquisition would not have any effect on the share capital and substantial shareholder's shareholdings of the Company as there is no issuance of new Mycron Shares.

The pro forma effects of the Proposed Rights Issue with Warrants on the shareholdings of the substantial shareholders of Mycron as at the LPD are set out below: -

(i) Minimum Scenario

Names	As at the LPD				(i) After the Proposed Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	202,050,221	71.26	-	-	223,650,221	73.29	-	-
MEL	-	-	202,050,221	71.26 ⁽¹⁾	-	-	223,650,221	73.29 ⁽¹⁾
MKSB	-	-	202,050,221	71.26 ⁽¹⁾	-	-	223,650,221	73.29 ⁽¹⁾
TDYK	-	-	202,102,521	71.28 ⁽²⁾⁽³⁾	-	-	223,702,521	73.31 ⁽²⁾⁽³⁾
KLB	-	-	202,050,221	71.26 ⁽⁴⁾	-	-	223,650,221	73.29 ⁽⁴⁾

Names	(ii) After (i) and after the full conversion of Warrants			
	Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	234,450,221	74.21	-	-
MEL	-	-	234,450,221	74.21 ⁽¹⁾
MKSB	-	-	234,450,221	74.21 ⁽¹⁾
TDYK	-	-	234,502,521	74.22 ⁽²⁾⁽³⁾
KLB	-	-	234,450,221	74.21 ⁽⁴⁾

Notes: -

⁽¹⁾ Deemed indirect interest by virtue of it being the major/substantial shareholder of MIGB who is a major shareholder of Mycron.

⁽²⁾ Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major/substantial shareholders of MIGB, a major shareholder of Mycron.

⁽³⁾ TDYK is a shareholder with 16.7% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the share capital of Mycron.

⁽⁴⁾ Deemed indirect interest by virtue of it being the holding company of MEL and MKSB who are major/substantial shareholders of MIGB, a major shareholder of Mycron.

(ii) Maximum Scenario

Names	As at the LPD				(i) After the Proposed Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	202,050,221	71.26	-	-	242,460,265	71.26	-	-
MEL	-	-	202,050,221	71.26 ⁽¹⁾	-	-	242,460,265	71.26 ⁽¹⁾
MKSB	-	-	202,050,221	71.26 ⁽¹⁾	-	-	242,460,265	71.26 ⁽¹⁾
TDYK	-	-	202,102,521	71.28 ⁽²⁾⁽³⁾	-	-	242,523,025	71.28 ⁽²⁾⁽³⁾
KLB	-	-	202,050,221	71.26 ⁽⁴⁾	-	-	242,460,265	71.26 ⁽⁴⁾

Names	(ii) After (i) and after the full conversion of Warrants			
	Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	262,665,287	71.26	-	-
MEL	-	-	262,665,287	71.26 ⁽¹⁾
MKSB	-	-	262,665,287	71.26 ⁽¹⁾
TDYK	-	-	262,733,277	71.28 ⁽²⁾⁽³⁾
KLB	-	-	262,665,287	71.26 ⁽⁴⁾

Notes: -

- (1) Deemed indirect interest by virtue of it being the major/substantial shareholder of MIGB who is a major shareholder of Mycron.
- (2) Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major/substantial shareholders of MIGB, a major shareholder of Mycron.
- (3) TDYK is a shareholder with 16.7% shareholdings in MGB which is the family owned investment holding company. MGB holds 0.02% of the share capital of Mycron.
- (4) Deemed indirect interest by virtue of it being the holding company of MEL and MKSB who are the major/substantial shareholders of MIGB, a major shareholder of Mycron.

6.3 NA & Gearing

Based on the latest audited consolidated statement of financial position of Mycron as at 30 June 2017 and on the assumption that the Proposals had been effected on that date, the proforma effects of the Proposals on the consolidated NA, NA per share and gearing of the Group are set out below: -

(i) Minimum Scenario

	Audited as at 30 June 2017 RM'000	(I) After the Proposed Rights Issue with Warrants RM'000	(II) After (I) and assuming full exercise of the Warrants RM'000	(III) After (I), (II) and the Proposed Acquisition RM'000
Share capital	206,364	215,544 ⁽¹⁾	221,916 ⁽⁴⁾	221,916
Asset revaluation reserve	25,534	25,534	25,534	25,534
Warrant reserves	-	1,620 ⁽²⁾	-	-
Retained earnings	142,256	141,556 ⁽³⁾	141,556	141,156 ⁽⁵⁾
Shareholders' funds/NA	374,154	384,254	389,006	388,606
No. of Mycron Shares in issue ('000)	283,545	305,145	315,945	315,945
NA per share (RM)	1.32	1.26	1.23	1.23
Total borrowings ^(a)	82,908	82,908	82,908	106,308 ⁽⁶⁾
Gearing (times)	0.22	0.22	0.21	0.27

Notes: -

(a) *Comprising all bank borrowings.*

(1) *Arising from the issuance of 21,600,000 Rights Shares pursuant to the Proposed Rights Issue with Warrants at an indicative issue price of RM0.50 per Rights Share, net warrant reserves.*

(2) *Arising from the issuance of Warrants pursuant to the Proposed Rights Issue with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.15 based on the Black-Scholes option pricing model as extracted from Bloomberg based on the assumed exercise price of RM0.44 each, one (1)-month volatility rate of the underlying Mycron Shares of 36.91% and 5D-VWAMP of Mycron Shares up to and including the LPD.*

(3) *After deducting the estimated expenses of RM700,000 in relation to the Proposed Rights Issue with Warrants.*

(4) *Arising from the issuance of 10,800,000 new Mycron Shares pursuant to the full exercise of the Warrants.*

(5) *After deducting the estimated expenses of RM400,000 in relation to the Proposed Acquisition.*

(6) *Assuming that Mycron Group secures the Loan of up to 90% i.e RM23.4 million of the Purchase Consideration.*

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(ii) **Maximum Scenario**

		(I)	(II)	(III)
	Audited as at 30 June 2017 RM'000	After the Proposed Rights Issue with Warrants RM'000	After (I) and assuming full exercise of the Warrants RM'000	After (I), (II) and the Proposed Acquisition RM'000
Share capital	206,364	230,466 ⁽¹⁾	247,195 ⁽⁴⁾	247,195
Asset revaluation reserve	25,534	25,534	25,534	25,534
Warrant reserves	-	4,253 ⁽²⁾	-	-
Retained earnings	142,256	141,556 ⁽³⁾	141,556	141,156 ⁽⁵⁾
Shareholders' funds/NA	374,154	401,809	414,285	413,885
No. of Mycron Shares in issue ('000)	283,545	340,255	368,609	368,609
NA per share (RM)	1.32	1.18	1.12	1.12
Total borrowings ^(a)	82,908	82,908	82,908	106,308 ⁽⁶⁾
Gearing (times)	0.22	0.21	0.20	0.26

Notes: -

(a) *Comprising all bank borrowings.*

(1) *Arising from the issuance of 56,709,091 Rights Shares pursuant to the Proposed Rights Issue with Warrants at an indicative issue price of RM0.50 per Rights Share, net warrant reserves.*

(2) *Arising from the issuance of Warrants pursuant to the Proposed Rights Issue with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.15 based on the Black-Scholes option pricing model as extracted from Bloomberg based on the assumed exercise price of RM0.44 each, one (1)-month volatility rate of the underlying Mycron Shares of 36.91% and 5D-VWAMP of Mycron Shares up to and including the LPD.*

(3) *After deducting the estimated expenses of RM700,000 in relation to the Proposed Rights Issue with Warrants.*

(4) *Arising from the issuance of 28,354,546 new Mycron Shares pursuant to the full exercise of the Warrants.*

(5) *After deducting the estimated expenses of RM400,000 in relation to the Proposed Acquisition.*

(6) *Assuming that Mycron Group secures the Loan of up to 90% i.e RM23.4 million of the Purchase Consideration.*

6.4 **EPS**

The Proposals are not expected to have any material effect on Mycron's consolidated earnings for the FYE 30 June 2018.

On a standalone basis, the EPS of Mycron Group shall be correspondingly diluted as a result of the increase in the number of Mycron Shares in issue pursuant to the issuance of Rights Shares and new Mycron Shares arising from the exercise of the Warrants.

Barring any unforeseen circumstances, the Proposals are expected to contribute positively to the future earnings of Mycron Group when the benefits of the utilisation of proceeds arising from the Proposed Rights Issue with Warrants are realised and future earnings of Mycron Group for the ensuing financial years as a result of rental savings (which would be off-set by the interest payments on the Loan) and the potential capital appreciation on the Property.

6.5 Convertible securities

As at the LPD, Mycron does not have any existing options, warrants or convertible securities.

7. RISK FACTORS RELATING TO THE PROPOSED ACQUISITION

7.1 Completion Risk

The completion of the Proposed Acquisition is conditional upon the conditions precedent of the SPA being fulfilled or waived and the relevant approvals being obtained from the parties and authorities as stated in Section 9, Part A of this Circular. There can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SPA. In the event that the condition precedents are not met/waived, the relevant SPA will be terminated and the Proposed Acquisition will not be completed.

Nevertheless, the Board will take reasonable steps to ensure that the conditions precedent are met in a timely manner and that every effort is made to obtain all necessary approvals for the Proposed Acquisition within the stipulated timeframe.

7.2 Financing Risk

MST intends to finance the Proposed Acquisition through a combination of internally generated funds and borrowings. Any utilisation of internal funds is expected to result in a depletion of MST's working capital, which may have an effect on the cash flow position of Mycron Group. Any additional borrowings to finance the Proposed Acquisition would expose MST to a financing risk such as fluctuations in interest rates.

MST will continue to take effective measures such as prudent financial management and conduct to manage its cash flow position and funding requirements, but there is no assurance that such measures would be adequate to address the aforesaid financing risk.

8. HISTORICAL SHARE PRICES OF MYCRON SHARES

The monthly highest and lowest prices of Mycron Shares as traded on the Main Market of Bursa Securities for the last 12 months are as follows: -

Period	High (RM)	Low (RM)
2017		
April	0.875	0.735
May	1.030	0.825
June	0.895	0.800
July	0.855	0.760
August	0.840	0.745
September	0.850	0.745
October	0.810	0.750
November	0.755	0.590
December	0.590	0.495
2018		
January	0.590	0.510
February	0.555	0.475
March	0.470	0.380
Last transacted market price on the LPD		0.400
Last transacted market price on the LTD		0.805

(Source: Bloomberg)

9. APPROVAL OBTAINED AND REQUIRED

The Proposals are subject to, amongst others, the following approvals being obtained: -

- (i) Bursa Securities for the admission, listing of and quotation for the Warrants and new Mycron Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities, which was obtained on 15 February 2018.

The approval of Bursa Securities is subject to the following conditions: -

No.	Conditions imposed by Bursa Securities	Status of compliance
1.	Mycron and TA Securities must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Rights Issue with Warrants.	To be complied
2.	Mycron and TA Securities to inform Bursa Securities upon completion of the Proposed Rights Issue with Warrants.	To be complied
3.	Mycron to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed.	To be complied
4.	Mycron to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders at extraordinary general meeting for the Proposed Rights Issue with Warrants.	To be complied
5.	Payment of additional listing fees pertaining to the exercise of the Warrants, if relevant. In this respect, Mycron is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the Warrants respectively as at the end of each quarter together with a details computation of the listing fees payable.	To be complied

- (ii) shareholders of Mycron for the Proposals at the forthcoming EGM;
- (iii) State Authority Consent for the Proposed Acquisition; and
- (iv) any other relevant regulatory authorities, if required.

10. INTER-CONDITIONALITY OF THE PROPOSALS

The Proposals are not conditional or inter-conditional upon one another and any other corporate proposals of Mycron.

However, the Proposed Rights Issue with Warrants shall only be implemented upon the successful implementation of MIGB's Proposed Rights Issue in view that the Revised Undertaking is subject to the successful implementation of MIGB's Proposed Rights Issue.

11. DETAILS OF CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save for the Proposals, there are no other intended corporate exercises or schemes which have been announced but not yet completed.

12. INTERESTS OF THE INTERESTED DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save for the interested parties mentioned herein below, none of the other Directors, major shareholders of Mycron and/or persons connected to them have any interest, either direct or indirect, in the Proposals: -

12.1 Proposed Rights Issue with Warrants

None of the Directors and major shareholders of the Company and/or persons connected to them, have any interest, either direct or indirect, in the Proposed Rights Issue with Warrants, apart from their respective entitlements as shareholders, if any, which is the same as all the other shareholders of the Company.

12.2 Proposed Acquisition

The following Directors of Mycron are deemed to be interested in the Proposed Acquisition by virtue of the following: -

- (a) TDYK is the Executive Chairman of Mycron and also the Executive Chairman of MIGB. TDYK is deemed interested in Mycron by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB, who are the substantial/major shareholders of MIGB, a major shareholder of Mycron;
- (b) Azlan bin Abdullah is the Group Managing Director of Mycron and is a shareholder of Mycron holding 100,000 shares in Mycron as at the LPD. He is also the Group Managing Director/Group Chief Executive Officer of MIGB and is a shareholder of MIGB holding 133,333 shares in MIGB as at the LPD;
- (c) MIGB is the substantial/major shareholder of Mycron by virtue of its 71.26% direct shareholdings in Mycron as at the LPD;
- (d) MKSB is the substantial/major shareholder of Mycron by virtue of its 9.8% direct shareholdings in MIGB, the major shareholder of Mycron as at the LPD;
- (e) MEL is the substantial/major shareholder of Mycron by virtue of its 26.8% direct shareholdings in MIGB, the major shareholder of Mycron as at the LPD; and
- (f) KLB is the holding company of MEL and MKSB who are the substantial/major shareholders of MIGB, the major shareholder of Mycron.

(TDYK and Azlan bin Abdullah are collectively referred to as “**Interested Directors**”).

(TDYK, MIGB, MKSB, MEL and KLB are collectively referred to as “**Interested Major Shareholders**”).

Accordingly and in compliance with Paragraph 10.08(6) of the MMLR, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed Acquisition at the Board meetings. The Interested Directors have also undertaken to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of the Company.

Accordingly and in compliance with Paragraph 10.08(7) of the MMLR, the Interested Major Shareholders will abstain and has undertaken to ensure that persons connected to them will abstain from voting in respect of their respective direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of the Company.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Rights Issue with Warrants, is of the opinion that the Proposed Rights Issue with Warrants is in the best interest of the Company.

Accordingly, the Board recommends that the shareholders of Mycron to vote in favour of the resolution pertaining to the Proposed Rights Issue with Warrants to be tabled at the forthcoming EGM of the Company.

The Board (save for the Interested Directors), having considered all aspects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

In view of the interests of the Interested Directors, the Interested Directors have abstained from expressing an opinion and making any recommendations in respect of the Proposed Acquisition.

Accordingly, the Board (save for the Interested Directors) recommends that the non-interested shareholders of Mycron to vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

14. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of Mycron is of the opinion that the Proposed Rights Issue with Warrants is: -

- (a) in the best interest of the Company;
- (b) fair, reasonable and on normal commercial terms; and
- (c) not detrimental to the shareholders of the Company.

The Audit Committee of Mycron is of the opinion that the Proposed Acquisition is in the best interest of Mycron and that the terms of the Proposed Acquisition are fair, reasonable and on normal commercial terms and hence are not detrimental to the interest of the non-interested shareholders. The view of the Audit Committee was arrived at after having considered, *inter alia*, the terms and conditions of the SPA, the rationale for the Proposed Acquisition, the basis and justifications for arriving at the Purchase Consideration, the prospects of Property, the effects of the Proposed Acquisition on the Group and the opinion of the Independent Adviser.

15. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save as disclosed below, there are no other related party transaction between Mycron Group and MIGB Group for the 12 months preceding the LPD: -

	Transacted Value (RM)
Provision of management services charged by MIGB to Mycron Group	2,640,000
Rental charged by MIGB Group to Mycron Group	5,464,800
Provision of engineering consultancy and advisory charged by MIGB Group to Mycron Group	288,000
Scrap disposal commission charged by MIGB Group to Mycron Group	3,242,580
Sales of pipes by Mycron Group to MIGB Group	8,988

16. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposals to be completed in the third (3rd) quarter of the calendar year 2018.

The tentative timetable for the implementation of the Proposals is as follows: -

Tentative timeline	Event
Mid April 2018	EGM to seek approval from the shareholders of Mycron for the Proposals.
Mid July 2018	Announcement of the book closing date for the Proposed Rights Issue with Warrants.
End July 2018	Book closing date to determine persons entitled to participate in the Proposed Rights Issue with Warrants and the public release of the Abridged Prospectus.
Mid August 2018	Closing date of acceptance of the Rights Shares and application for excess Rights Shares pursuant to the Proposed Rights Issue with Warrants.
End August 2018	Listing and quotation for the Rights Shares and Warrants on the Main Market of Bursa Securities.
End August 2018	Completion of the Proposals.

17. EGM

The EGM, the notice of which is set out in this Circular, will be held at Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Friday, 20 April 2018 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the ordinary resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, please complete and lodge the enclosed Form of Proxy at the Registered Office of the Company at Suite 12.03, 12th Floor No. 566 Jalan Ipoh, 51200 Kuala Lumpur, not later than forty-eight (48) hours before the time for holding the EGM.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

18. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of
MYCRON STEEL BERHAD

MUK SAI TAT
Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER BY KAF IB IN RELATION TO THE
PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in the IAL. All references to “we”, “us” or “our” in the IAL are references to KAF IB, being the Independent Adviser for the Proposed Acquisition.

This executive summary is intended to provide a brief summary of the pertinent information and recommendation as set out in the IAL. Shareholders of Mycron are advised to read and fully understand both the IAL and other sections of the Circular and to consider carefully the recommendation including the rationale for the Proposed Acquisition as well as other relevant information contained herein before voting on the relevant resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, investment adviser, accountant, solicitor or other professional advisers immediately.

1. INTRODUCTION

On 20 November 2017, TA Securities, on behalf of the Board, announced that MST, a wholly-owned subsidiary of Mycron had on even date, entered into the conditional SPA with MIGB in relation to the Proposed Acquisition.

By virtue of the interests of the Interested Directors and Interested Major Shareholders who are deemed interested in the Proposed Acquisition as set out in Section 12.2 of Part A of the Circular, the Proposed Acquisition is deemed as related party transaction pursuant to Paragraph 10.08 of the MMLR. Accordingly, the Board had on 16 November 2017 appointed KAF IB to act as the independent adviser to advise the non-interested directors and non-interested shareholders of Mycron in respect of the Proposed Acquisition.

The purpose of the IAL is to provide the non-interested shareholders of Mycron with an independent opinion as to whether the Proposed Acquisition is fair and reasonable and whether or not they are to the detriment of the non-interested shareholders of Mycron.

Please refer to Section 3 of Part A of the Circular for details on the Proposed Acquisition.

2. EVALUATIONS OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have taken into consideration the following:-

Section in IAL	Area of evaluation	Comments / Remarks
5.1	Rationale for the Proposed Acquisition	<p>We noted that the Proposed Acquisition:-</p> <ul style="list-style-type: none">(a) is in line with the Group’s aim to utilise the Property as the corporate office of MST;(b) is expected to result in long-term operational cost savings to the Group;(c) will not be subject to rent increases upon expiry of the tenancy; and(d) will eliminate conflict of interest as the Property is currently owned by MIGB, a major shareholder of Mycron, which is also controlled by related parties of the Company. <p>Premised on the above, we are of the opinion that the rationale of the Proposed Acquisition is reasonable.</p>

EXECUTIVE SUMMARY (cont'd)

Section in IAL	Area of evaluation	Comments / Remarks
5.2	Salient terms of the SPA	We have reviewed the salient terms of the SPA as set out in Section 3.4 of Part A of the Circular and are of the view that they are standard terms (normally incorporated in an agreement for transactions similar to the Proposed Acquisition), of commercial nature, reasonable insofar as the interests of Mycron and MST are concerned and not detrimental to the non-interested shareholders of Mycron.
5.3	Basis and justifications of arriving at the Purchase Consideration	<p>The Purchase Consideration was arrived at between the parties on a willing-buyer willing-seller basis after taking into consideration the market value of the Property of RM26.0 million as appraised by the Valuer vide its valuation report dated 31 October 2017 using the Cost Approach as the primary method and cross checked with the Income Capitalisation Approach of valuation.</p> <p>In assessing the Purchase Consideration, we have relied upon and are satisfied with the methodologies adopted/considered by the Valuer in deriving the market value of the Property together with the respective basis and assumptions.</p> <p>Premised on the above, we are of the view that the valuation of the Property using the Cost Approach method as the primary valuation methodology is reasonable and the basis and justification of arriving at the Purchase Consideration is fair.</p>
5.4	Outlook and prospects	We noted that the overall outlook and prospect of the Malaysian economy, Malaysian steel industry and the Malaysian and Selangor property market appears to be reasonably positive. And considering the relatively good location of the Property, the Proposed Acquisition is expected to enhance the prospects of the Group.
5.5	Financial effects of the Proposed Acquisition	We noted that the Proposed Acquisition is not expected to have any material effect on the share capital, substantial shareholders' shareholdings, consolidated earnings and EPS, NA and gearing of the Company/Group for the FYE 30 June 2018. Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the non-interested shareholders of Mycron.

Section in IAL	Area of evaluation	Comments / Remarks
5.6	Risk factors	<p>Non-interested shareholders should take note of the risk factors associated with the Proposed Acquisition and mitigation plans that will be undertaken by the Board and the management of Mycron as set out in Section 7 of Part A of the Circular.</p> <p>Although measures will be taken by the Board and the management of Mycron to mitigate the risks associated with the Proposed Acquisition, no assurance can be given that the said risk factors will not occur and give rise to material and adverse impact on the operation and business of the Mycron Group.</p>

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition and have set out our evaluation in Section 5 of the IAL. Non-interested shareholders of Mycron should consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors including those and other considerations as set out in the IAL, the Circular and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Acquisition.

As far as our analyses and assessment as contained in the IAL are concerned, we have considered factors which we believe to be of general relevance to the shareholders of Mycron as a whole. We have not taken into consideration any specific investment objective, financial situation, risk profile and particular need of any individual shareholder or any specific groups of shareholders of Mycron.

Premised on the foregoing and our overall evaluation and assessment of the Proposed Acquisition based on the information available to us up to the LPD where our opinion regarding the Proposed Acquisition is rendered on an overall basis, we are of the opinion that the Proposed Acquisition is **FAIR** and **REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders of Mycron.

Accordingly, we recommend the non-interested shareholders to **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

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INVESTMENT BANK BERHAD (20657-W)

Registered office:
14th Floor, Chulan Tower
No. 3, Jalan Conlay
50450 Kuala Lumpur

Date: 5 April 2018

To: The Non-Interested Shareholders of Mycron Steel Berhad

Dear Sir/ Madam,

MYCRON STEEL BERHAD (“MYCRON” OR “COMPANY”)

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF MYCRON IN
RELATION TO THE PROPOSED ACQUISITION**

This Independent Advice Letter (“IAL”) has been prepared for inclusion in Part B of the circular to shareholders of Mycron dated 5 April 2018 (“Circular”). All definition used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in the IAL are references to KAF IB, being the Independent Adviser for the Proposed Acquisition.

1. INTRODUCTION

On 20 November 2017, TA Securities, on behalf of the Board, announced that MST, a wholly-owned subsidiary of Mycron had on even date, entered into a conditional SPA with MIGB in relation to the Proposed Acquisition.

By virtue of the interests of the Interested Directors and Interested Major Shareholders who are deemed interested in the Proposed Acquisition as set out in Section 12.2 of Part A of the Circular, the Proposed Acquisition is deemed as related party transaction pursuant to Paragraph 10.08 of the MMLR. Accordingly, the Board had on 16 November 2017 appointed KAF IB to act as the independent adviser to advise the non-interested directors and non-interested shareholders of Mycron in respect of the Proposed Acquisition.

In arriving at our opinion, we have, pursuant to Paragraph 10.08(3) of the MMLR, assessed the fairness and reasonableness of the Proposed Acquisition so far as the non-interested shareholders are concerned and whether or not the Proposed Acquisition is to the detriment of the non-interested shareholders of Mycron.

The purpose of the IAL is to provide the non-interested shareholders of Mycron with an independent opinion as to whether the Proposed Acquisition is fair and reasonable and whether or not they are to the detriment of the non-interested shareholders of Mycron.

This IAL is prepared solely for the use of the non-interested shareholders of Mycron for the purpose of considering and voting for or against the Proposed Acquisition and should not be used or relied upon by any other parties for any other purposes.

NON-INTERESTED SHAREHOLDERS OF MYCRON ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND TO CONSIDER CAREFULLY THE EVALUATION AND RECOMMENDATION INCLUDING THE RATIONALE FOR AND IMPLICATIONS OF THE PROPOSED ACQUISITION AS WELL AS OTHER RELEVANT INFORMATION AS CONTAINED HEREIN BEFORE VOTING ON THE RELEVANT RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE WHEN, YOU SHOULD CONSULT YOUR STOCKBROKER, INVESTMENT ADVISER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITION

The details of the Proposed Acquisition are set out in Part A of the Circular and should be read and fully understood in their entirety by the non-interested shareholders of Mycron.

The Proposed Acquisition is not conditional or inter-conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

3. INTERESTS OF THE INTERESTED DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

We note from Section 12.2 of Part A of the Circular that the following Interested Directors and Interested Major Shareholders are deemed to be interested in the Proposed Acquisition by virtue of the following:-

- (a) TDYK is the Executive Chairman of Mycron and also the Executive Chairman of MIGB. TDYK is deemed interested in Mycron by virtue of him being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB, who are the substantial/major shareholders of MIGB, a major shareholder of Mycron;
- (b) Azlan bin Abdullah is the Group Managing Director of Mycron and is a shareholder of Mycron holding 100,000 shares in Mycron as at the LPD. He is also the Group Managing Director/Group Chief Executive Officer of MIGB and is a shareholder of MIGB holding 133,333 shares in MIGB as at the LPD;
- (c) MIGB is the substantial/major shareholder of Mycron by virtue of its 71.26% direct shareholdings in Mycron as at the LPD;
- (d) MKSB is the substantial/major shareholder of Mycron by virtue of its 9.8% direct shareholdings in MIGB, the major shareholder of Mycron as at the LPD;
- (e) MEL is the substantial/major shareholder of Mycron by virtue of its 26.8% direct shareholdings in MIGB, the major shareholder of Mycron as at the LPD; and
- (f) KLB is the holding company of MEL and MKSB who are the substantial/major shareholders of MIGB, the major shareholder of Mycron.

In compliance with Paragraph 10.08(6) of the MMLR, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed Acquisition at the Board meetings. The Interested Directors have also undertaken to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of the Company.

Accordingly and in compliance with Paragraph 10.08(7) of the MMLR, the Interested Major Shareholders will abstain and has undertaken to ensure that persons connected to them will abstain from voting in respect of their respective direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM of the Company.

4. LIMITATIONS TO OUR EVALUATION OF THE PROPOSED ACQUISITION

KAF IB has not been involved in any negotiation on the terms and conditions of the Proposed Acquisition nor have we participated in the Board's deliberation on the Proposed Acquisition.

We do not express any opinion on the commercial merits of the Proposed Acquisition, which is the sole responsibility of the Board. In evaluating the Proposed Acquisition, we have not taken into consideration any specific investment objectives, financial situation and particular needs of any shareholder or any specific groups of shareholders. We therefore recommend that any individual shareholder or any specific groups of shareholders who may require specific advice in relation to the Proposed Acquisition to consult your stockbroker, solicitor investment adviser, accountant or other professional advisers immediately.

KAF IB's scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the terms of the Proposed Acquisition from a financial point of view, based on and in reliance upon information, documents and representations/confirmations provided or made available to us by Mycron or its advisers (the accuracy of which the Board or other advisers of Mycron are solely responsible), including but not limited to the following:-

- (a) the information contained in Part A of the Circular and the accompanying appendices;
- (b) the Valuation Report;
- (c) the SPA;
- (d) relevant information, documents, confirmations and representations obtained in or derived from discussions with the management of Mycron; and
- (e) other publicly available information.

In line with our role and scope of work, notwithstanding that KAF IB may make reasonable enquiries in the course of preparing this IAL, KAF IB is not responsible or liable in any manner to independently verify the accuracy, validity or completeness of any of the above-mentioned information, documents and representations/confirmations used, referred to and/or relied upon by KAF IB for the purpose of this IAL.

We have also obtained written confirmation from the Board, that the Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this IAL (save and except for analyses made and opinions expressed by KAF IB) and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no facts or information the omission of which will make any statement or information herein false or misleading. After making all reasonable enquiries and to the best of our knowledge and belief, the information used in preparing this IAL is reasonable, accurate, complete and free from material omission. We are satisfied with the information provided by Mycron and its other advisers and are not aware of any facts or matters not disclosed which may render any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. Should there be any significant change affecting the information contained in this IAL after the despatch of this IAL, we will immediately notify the shareholders of Mycron and if circumstances require, a supplementary IAL will also be sent accordingly.

We confirm that there is no conflict of interest situation or potential conflict of interest situation arising from us carrying out the role of Independent Adviser in respect of the Proposed Acquisition, and that there was no professional relationship between KAF IB and Mycron in the past two (2) years prior to the date of this IAL. As at the LPD, there is no Mycron Shares which are owned or controlled by KAF IB or by funds whose investments are managed by KAF IB on a discretionary basis.

KAF IB is an investment bank in Malaysia with a strong reputation in the dealing of money market instruments and trading of debt securities. KAF IB is also involved in providing capital market advisory services such as fund raising via the issuance of private debt securities, equity and equity-linked securities.

The credentials and experience of KAF IB, where we have been appointed as an Independent Adviser in the past two (2) years prior to the Announcement, include, amongst others, the following proposals:-

- (a) acceptance of development rights by Encorp Berhad from Federal Land Development Authority by Encorp Bukit Katil Sdn Bhd, a wholly-owned subsidiary of Encorp Berhad, in relation to the development of a leasehold land measuring approximately 640.98 acres held under PN 43209, Lot No. 6934 Mukim Bukit Katil, district of Melaka Tengah in the state of Melaka, which will expire on 27 January 2096, for a total cash consideration of RM583.6 million;
- (b) disposal by MB Max Sdn Bhd, a wholly-owned subsidiary of Emas Kiara Properties Sdn Bhd, which is in turn a wholly-owned subsidiary of MB World Group Berhad (formerly known as Emas Kiara Industries Berhad) ("**MB World**"), to certain related parties of MB World of 19 units of serviced apartments in the Pinnacle Tower, an on-going freehold commercial development of serviced apartments in Johor Bahru undertaken by MB Max Sdn Bhd, for a total net cash consideration of RM18.68 million;
- (c) acquisition by MB World of the entire equity interest in Cocoa Valley Development Sdn Bhd for a consideration of RM76 million to be satisfied via the issuance of approximately 65.5 million new ordinary shares of RM0.50 each in MB World at an issue price of RM1.16 per share;
- (d) transactions by Land & General Berhad ("**L&G**") of the following:-
 - (i) acquisition of the entire equity interests in Primal Milestone Sdn Bhd for a cash consideration of RM128,468,000 payable by L&G;
 - (ii) acquisition of the entire equity interests in Quantum Bonus Sdn Bhd for a cash consideration of RM5,970,000 payable by L&G;
 - (iii) acquisition of the entire equity interests in Triumph Bliss Sdn Bhd for a cash consideration of RM118,154,000 payable by L&G;
 - (iv) acquisition of the entire equity interests in Forward Esteem Sdn Bhd for a cash consideration of RM45,725,000 payable by L&G; and
 - (v) call option granted by Malaysia Land Properties Sdn Bhd ("**Option**") in favour of L&G for the acquisition of the entire equity interest in Soho Prestige Sdn Bhd upon exercise of the Option by L&G for a cash consideration of RM37,246,000 payable by L&G;
- (e) disposal of 20,318,144 ordinary shares of Saujanika Sdn Bhd held by MTD ACPI Engineering Berhad, representing 100% equity interest in Saujanika Sdn Bhd, to MTD Capital Bhd for the revised sale consideration of RM14,816,559 under the supplemental share sale agreement dated 26 January 2017, entered into by MTD ACPI Engineering Berhad and MTD Capital Bhd, in respect of the said proposed disposal; and

- (f) Proposals by TRIpIc Berhad (“**TRIpIc**”) of the following:-
- (i) disposal by Pimpinan Ehsan Berhad (“**Pimpinan Ehsan**”) of the entire issued share capital held in TRIpIc to Puncak Niaga Holdings Berhad for a cash consideration of RM210 million (“**Proposed Disposal**”);
 - (ii) share exchange of up to 69,125,085 ordinary shares in TRIpIc (“**TRIpIc Share**”) with up to 69,125,085 new ordinary shares in Pimpinan Ehsan (“**Pimpinan Ehsan Share**”) via a scheme of arrangement under Section 366 of the Companies Act, 2016, on the basis of 1 new Pimpinan Ehsan Share for every 1 TRIpIc Share held on an entitlement date (“**Proposed Share Exchange**”);
 - (iii) transfer of listing status of TRIpIc to Pimpinan Ehsan and the admission of Pimpinan Ehsan to the Official List of the Main Market of Bursa Securities, with the listing of and quotation for the entire issued share capital of Pimpinan Ehsan on the Main Market of Bursa Securities (“**Proposed Transfer of Listing**”); and
 - (iv) special dividend of RM1.95 per Pimpinan Ehsan Share to the shareholders of Pimpinan Ehsan on an entitlement date, after the completion of the Proposed Disposal, the Proposed Share Exchange and the Proposed Transfer of Listing.

Based on our credentials and experience above, we have the necessary resources and personnel with the relevant skills, knowledge and experience to carry out our role and responsibilities as the Independent Adviser to advise the non-interested shareholders of Mycron in respect of the Proposed Acquisition.

5. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have considered the following factors:-

- | | | |
|-----|--|-------------|
| (a) | Rationale for the Proposed Acquisition | Section 5.1 |
| (b) | Salient terms of the SPA | Section 5.2 |
| (c) | Basis and justifications of arriving at the Purchase Consideration | Section 5.3 |
| (d) | Outlook and prospects | Section 5.4 |
| (e) | Financial effects of the Proposed Acquisition | Section 5.5 |
| (f) | Risk factors associated with the Proposed Acquisition | Section 5.6 |

5.1 Rationale for the Proposed Acquisition

We note from Section 4 of Part A of the Circular that the Proposed Acquisition is undertaken in order to utilise the Property as the corporate office of MST. At present, the corporate office and factory of MST is on the Property, rented from MIGB at a monthly rental of RM126,500. By occupying its own corporate office and factory, the Proposed Acquisition will provide the Group with long-term operational cost savings from the annual rental expenses of RM1.52 million. As such, the Proposed Acquisition is expected to eliminate the risk of rental increases each time the tenancy expires.

MST has been renting the Property from MIGB and utilising it as its corporate office and main factory since February 2007. As such, the Proposed Acquisition will prevent any disruptions in the MST’s operations, as it will provide long-term assurance that the Property would not be disposed off to any third party in the event MIGB chooses not to renew the tenancy of the Property with the Mycron Group upon expiry in April 2018. We also note that MIGB has exercised its option on early tenancy renewal for a further three (3) years from May 2018 until April 2021.

The Proposed Acquisition will provide an opportunity for MST to secure and permanently own the Property and accrue savings on its current office/factory rental expenses of approximately RM1.52 million per annum and hedge against future increases in rental expenses. The rental saving will therefore result in improvement to the bottom line of Mycron going forward as well as enhancement to its cash flow position.

We also wish to highlight that the Proposed Acquisition will eliminate conflict of interest as the Property is currently owned by MIGB, a major shareholder of Mycron, which is also controlled by related parties of the Company. As a result, the Company is required to seek annual general mandate to enter into the said recurrent transaction, i.e. to rent the Property from MIGB. As such, the Proposed Acquisition eliminates the need to seek shareholders' approval for recurrent transactions relating to the Property.

Premised on the above, we are of the opinion that the rationale of the Proposed Acquisition is **reasonable**.

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5.2 Salient terms of the SPA

We note the salient terms of the SPA as set out in Section 3.4 of Part A of the Circular. Our comments on the salient terms of the SPA are as set out as follows:-

	Salient terms of the SPA	Comments by KAF IB
3.4.1	<p>Sale and purchase</p> <p>MIGB agrees to sell to MST and the MST agrees to purchase from MIGB of the Property:-</p> <p>(a) on an “as is where is” basis as at the date of the SPA, fair wear and tear excepted;</p> <p>(b) free from all encumbrances and caveats;</p> <p>(c) subject to all conditions of title (express and implied); and</p> <p>(d) upon the terms and conditions contained in the SPA for the consideration stated in Section 3.4.3 below.</p>	<p>We note that these terms are common commercial terms for property related transaction. These terms are reasonable and are not detrimental to the interest of the non-interested shareholders of Mycron.</p>
3.4.2	<p>Conditions Precedent and completion</p> <p>It is agreed between the parties that the SPA is conditional upon and subject to the following conditions precedent:-</p> <p>(a) MST being able to secure a Loan from a Bank to part finance the purchase of the Property;</p> <p>(b) where required, the consent of MST’s lender(s) for the borrowing by MST of the Loan shall have been obtained;</p> <p>(c) the approval of the shareholders of Mycron, the holding company of MST for the purchase of the Property from MIGB shall have been obtained;</p> <p>(d) State Authority Consent shall have been obtained;</p>	<p>The fulfilment of the conditions precedent is necessary for the completion of the Proposed Acquisition and to be in compliance with the requirements set out by the relevant authorities.</p> <p>The Conditions Precedent which have been mutually agreed to by the Purchaser and Vendor must be fulfilled within the agreed period.</p> <p>We also note that the Conditions Precedent are to be fulfilled within the Condition Period i.e. 9 months from the date of the SPA, an unusually long period. However, such long period is not expected to have any adverse impact or be</p>

Salient terms of the SPA	Comments by KAF IB								
<p>(e) the Existing Charge shall have been duly discharged; and</p> <p>(f) where required, any other regulatory approvals and/or consents for the sale and transfer of the Property shall have been obtained.</p> <p>(collectively referred to as “Conditions Precedent”).</p> <p>In the event the Conditions Precedent or any of them is not obtained within the Condition Period, the Vendor and the Purchaser may mutually agree in writing to such extended period or periods to fulfill the Conditions Precedent.</p> <p>In the event any of the Conditions Precedent is not fulfilled or waived within the Condition Period or by the expiration of the Extended Condition Period, as the case may be, the SPA will terminate and thereafter be null and void and Section 3.4.7, Part A of the Circular shall apply.</p>	<p>detrimental to the Company as it merely provides both parties with a reasonable time period to fulfill the Conditions Precedent of the SPA.</p> <p>Overall, the Conditions Precedent are reasonable and are not to the detriment of the non-interested shareholders of Mycron.</p>								
<p>3.4.3 Manner of Payment of Purchase Consideration</p> <p>(a) Simultaneously with the execution of the SPA, the Purchaser will pay the Deposit in the following manner:-</p> <p>(i) the sum of Ringgit Malaysia One Million Eight Hundred and Twenty Thousand (RM1,820,000) to MIGB directly;</p> <p>(ii) the sum of Ringgit Malaysia Seven Hundred and Eighty Thousand (RM780,000) (“Retention Sum”) to the Purchaser’s Solicitors who shall hold the Retention Sum as stakeholder and forward the Retention Sum to the Director-General of Inland Revenue within sixty (60) days of obtaining the State Authority Consent.</p> <p>Prior to forwarding the Retention Sum to the Director-General of Inland Revenue, the Stakeholder is authorised to place the same in a fixed deposit account with a licensed financial institution, and all accrued interest shall be for the account of the Vendor unless the events specified in Section 3.4.6 or 3.4.7, Part A of the Circular shall occur, in which case such accrued interest shall be for the account of the Purchaser.</p>	<p>This is a reasonable and common term for property transaction whereby the deposit payment indicates the commitment of the Purchaser for the Proposed Acquisition.</p> <p>The Purchase Consideration is payable in the following manner:</p> <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">RM'000</td> </tr> <tr> <td>Deposit paid on 20 November 2017</td> <td style="text-align: right;">2,600</td> </tr> <tr> <td>Balance of the Purchase Consideration to be paid no later than the Last Day (as defined in the Circular)</td> <td style="text-align: right;">23,400</td> </tr> <tr> <td>Total Purchase Consideration</td> <td style="text-align: right;"><u>26,000</u></td> </tr> </table>		RM'000	Deposit paid on 20 November 2017	2,600	Balance of the Purchase Consideration to be paid no later than the Last Day (as defined in the Circular)	23,400	Total Purchase Consideration	<u>26,000</u>
	RM'000								
Deposit paid on 20 November 2017	2,600								
Balance of the Purchase Consideration to be paid no later than the Last Day (as defined in the Circular)	23,400								
Total Purchase Consideration	<u>26,000</u>								

Comments by KAF IB	Salient terms of the SPA
<p>The deposit of RM2.6 million which represents 10% of the Purchase Consideration is considered reasonable based on our observation of earnest deposit paid in property transactions of a similar nature. The lower deposit paid minimise the money-at-risk for Mycron at the point of signing the SPA.</p> <p>The manner of payment is common in other similar transactions. We are of the view that this term is reasonable and not detrimental to the non-interested shareholders of Mycron.</p>	<p>(b) The Balance Purchase Price will be paid in the following manner:-</p> <p>(i) The Balance Purchase Price and Interest (if applicable) must be paid by the Purchaser to the Stakeholder in accordance with Section 3.4.3(c) below not later than the Last Day in exchange for the Said Documents to be deposited by the Vendor with the Purchaser's Solicitors whereupon the Purchaser will be deemed to have discharged in full the Purchaser's obligations to pay the Balance Purchase Price to the Vendor.</p> <p>(ii) In the event the Purchaser fails to pay the Balance Purchase Price upon expiry of the Completion Period, the Extended Completion Period will be automatically invoked provided always that the Balance Purchase Price and the Interest must be paid on or before the Last Day.</p> <p>(c) The Stakeholder is expressly authorised by the parties to release the Balance Purchase Price to the Vendor seven (7) days after the Instrument of Transfer and all other relevant documents have been presented for registration at the appropriate land office/registry or fourteen (14) days after the Purchaser's Solicitors' or the Bank's solicitors' receipt of the Said Documents, whichever is the later.</p>
<p>This term is considered reasonable as the tenancy agreement dated 1 May 2014 will be terminated and legal possession by MST shall be deemed delivered on the date of full payment of the Balance Purchase Price together with Interest, if any, by the Purchaser.</p>	<p>3.4.4 Delivery of Legal Possession</p> <p>The Property is currently tenanted by the Purchaser, and legal possession of the Property shall be deemed delivered to the Purchaser on the Completion Date.</p> <p>On Completion Date, the parties agree that the tenancy agreement dated 1 May 2014 made between the Vendor and the Purchaser in relation to the Property (including any subsequent renewals entered into) will be mutually terminated.</p>
<p>We note that in the event of a default by the Purchaser pursuant to the terms of the SPA, the Vendor is entitled to terminate the SPA and to forfeit the Deposit upon termination.</p>	<p>3.4.5 Default by Purchaser</p> <p>In the event that:-</p> <p>(a) the Purchaser fails to pay the Balance Purchase Price or any other sum covenanted in accordance with the provisions of the SPA; or</p>

Salient terms of the SPA	Comments by KAF IB
<p>(b) the Purchaser fails to observe or perform or otherwise be in breach of any of the terms, conditions or covenants of the SPA; or</p> <p>(c) any warranties and representations of the Purchaser is incorrect or inaccurate or misleading in any respect; or</p> <p>(d) the Instrument of Transfer cannot be registered for any reason whatsoever due to the default, willful neglect, omission or blameworthy conduct on the part of the Purchaser,</p> <p>and such failure or breach or reason for non-registration (other than an obligation of the type referred to in Section 3.4.5(a) above), is not remedied by the Purchaser within fourteen (14) days after the Vendor has given written notice to the Purchaser to remedy such failure or breach, the Vendor will be entitled, at the cost and expense of the Purchaser, and at the Vendor's sole discretion to terminate the SPA at any time by giving a written notice to the Purchaser.</p> <p>Upon termination, the Vendor is entitled to forfeit the Deposit as agreed liquidated damages whereupon the Purchaser must, at the Purchaser's own cost and expense, within fourteen (14) days from the date of receiving the termination notice from the Vendor:-</p> <p>(a) immediately remove all encumbrance and caveat, if any, on the Property attributable to the Purchaser; and</p> <p>(b) return to the Vendor all documents delivered by the Vendor to the Purchaser and/or the Purchaser's Solicitors and/or the Bank's solicitors under the provisions of the SPA with the Vendor's interest in the Property remaining intact;</p> <p>in exchange for the refund by the Vendor to the Purchaser and/or the Bank of all moneys (save and except for the Deposit) paid towards account of the Purchase Consideration without any interest being payable whereupon the SPA will terminate and cease to be of any further effect and thereafter the Vendor shall be entitled to sell or otherwise deal with the Property in such manner as the Vendor deems fit.</p>	<p>This term is standard term of default and termination normally incorporated in an agreement for transactions similar to the Proposed Acquisition. As such, this term is considered reasonable and is not detrimental to the non-interested shareholders of Mycron.</p>

3.4.6	Salient terms of the SPA	Comments by KAF IB
<p>Default by Vendor</p> <p>In the event that:-</p> <p>(a) the Vendor fails to observe or perform or otherwise be in breach of any of the terms, conditions or covenants of the SPA; or</p> <p>(b) any warranties and representations of the Vendor is incorrect or inaccurate or misleading in any respect; or</p> <p>(c) the Instrument of Transfer cannot be registered for any reason whatsoever due to the default, wilful neglect, omission or blameworthy conduct on the part of the Vendor,</p> <p>and such failure or breach or reason for non-registration is not remedied by the Vendor within fourteen (14) days after the Purchaser has given written notice to the Vendor to remedy such failure or breach, the Purchaser will be entitled, at the cost and expense of the Vendor, and at the Purchaser's sole discretion to the following remedies:-</p> <p>(a) to the remedy of specific performance of the SPA against the Vendor; or</p> <p>(b) to terminate the SPA at any time by giving a written notice to the Vendor and upon such termination, the Vendor must within fourteen (14) days from the date of receiving the termination notice refund or caused to be refunded to the Purchaser all moneys including the Deposit paid towards account of the Purchase Consideration without any interest being payable together with a further sum equivalent to the Deposit as agreed liquidated damages in exchange for:-</p> <p>(i) the immediate removal of all encumbrance and caveat, if any, on the Property attributable to the Purchaser; and</p> <p>(ii) the return to the Vendor of all documents delivered by the Vendor to the Purchaser and/or the Purchaser's Solicitors and/or the Bank's solicitors under the provisions of the SPA with the Vendor's interest in the Property remaining intact;</p>	<p>In the event the Vendor default on its obligations under the SPA, the Purchaser shall be entitled to remedy at law for specific performance against the Vendor, to terminate the SPA at any time by giving a written notice to the Vendor and all moneys including the Deposit paid towards account of the Purchase Price to be refunded to the Purchaser without interest.</p> <p>This term is standard term of default and termination normally incorporated in an agreement for transactions similar to the Proposed Acquisition.</p> <p>As such, this term is considered reasonable and is not detrimental to the non-interested shareholders of Mycron.</p>	

Salient terms of the SPA		Comments by KAF IB
	<p>whereupon the SPA will terminate and cease to be of any further effect and thereafter the Vendor shall be entitled to sell or otherwise deal with the Property in such manner as the Vendor deems fit.</p>	
3.4.7	<p>Non-Registration of Transfer/Documents</p> <p>(a) In the event that the Instrument of Transfer cannot be registered for any reason whatsoever, save and except where there is any default, wilful neglect, omission or blameworthy conduct on the part of the Vendor or the Purchaser, each party will use its best endeavours:-</p> <ul style="list-style-type: none"> (i) to ascertain the cause or reason for such non-acceptance or rejection or non-registration, as the case may be (ii) to rectify, remedy and/or overcome such cause or reason; and (iii) to cause the Instrument of Transfer to be accepted for registration and/or registered <p>and in the event that such cause or reason cannot be or is not rectified, remedied and/or overcome within a period of one (1) month from the date of such non-registration is made known to the Purchaser, or such other extended period as may be agreed by the Purchaser, a termination event will occur where the Purchaser may elect to terminate the SPA in accordance with Section 3.4.7 (b) below.</p> <p>(b) Upon the Purchaser electing to terminate the SPA, the Purchaser will at the Purchaser's own cost and expense:-</p> <ul style="list-style-type: none"> (i) remove all encumbrances and/or caveat, if any, on the Property attributable to the Purchaser; and (ii) return to the Vendor all documents delivered by the Vendor to the Purchaser and/or the Purchaser's Solicitors and/or the Bank's solicitors with the Vendor's interest in the Property remaining intact; 	<p>These terms are to provide safeguard to Mycron as they serve to protect the interest of Mycron in the event that the Instrument of Transfer cannot be registered for any reason whatsoever.</p> <p>Base on the above, this clause is reasonable and not detrimental to the non-interested shareholders of Mycron.</p>

Salient terms of the SPA		Comments by KAF IB
	<p>in exchange for the refund by the Vendor to the Purchaser and/or the Bank of all moneys including the Deposit and all monies paid towards account of the Purchase Consideration without interest, which refund must in any event be made within fourteen (14) days from the date of the Purchaser electing to terminate the SPA whereupon the SPA shall terminate and cease to be of any further effect.</p>	
3.4.8	<p>Interest</p> <p>The Purchaser will pay Interest on the unpaid portion of the Balance Purchase Price during the Extended Completion Period or any part of it and Interest is to be calculated on a daily basis from the first (1st) day of the Extended Completion Period until the date of full payment of the Balance Purchase Price.</p> <p>In the event either party fails or refuses or neglects to refund any monies required to be refunded or paid to the other pursuant to Sections 3.4.5, 3.4.6 or 3.4.7, Part A of the Circular within the time stipulated, the party failing or refusing or neglecting to do so will be liable to pay to the other an additional interest of eight per centum (8%) per annum on the sum to be refunded or paid to the other calculated from the date due for the refund or payment until the date of receipt of the full refund or payment together with the said interest.</p>	<p>This term is a standard term that in the event the Purchaser fails to pay the Balance Purchase Price upon expiry of the Completion Period as set out in Section 3.4.3(b)(ii) above.</p> <p>Base on the above, this clause is reasonable and not detrimental to the non-interested shareholders of Mycron.</p>

On an overall basis, we are of the opinion that the above salient terms of the SPA are standard terms (normally incorporated in an agreement for transactions similar to the Proposed Acquisition), of commercial nature, reasonable and not to the detriment of the interests of Mycron, MST as well as the non-interested shareholders of Mycron.

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5.3 Basis and justifications of arriving at the Purchase Consideration for the Proposed Acquisition

As set out in Section 3.3 of Part A of the Circular, the Purchase Consideration was arrived at based on a willing-buyer willing-seller basis taking into account the market value of the Property of RM26.0 million as appraised by the Valuer vide its valuation report dated 31 October 2017 using the Cost Approach and cross checked with the Income Capitalisation Approach of valuation.

The Valuer had adopted the Cost Approach as the most appropriate measure to value the Property as the Income Capitalisation Approach is premised on rentals that had been set below rack levels due to the old state of the buildings and had been tenanted to a related party, i.e. MST and thus not reflecting the highest and the best value of the property.

Comments by KAF IB:-

The details/differences of the Cost Approach and the Income Capitalisation Approach (Investment Method) of valuation are as summarised below:-

Cost Approach

- In this method, the value of the land is added to the replacement cost of the buildings and other site improvements, which has been adjusted for obsolescence and the market factor/elements inherent therein prior to this.

The land value is determined by comparing with similar lands that have been sold recently and those that are currently being offered for sale in the vicinity, with appropriate adjustments made to reflect improvements and other dissimilarities to arrive at the value of the subject land as an improved site.

The replacement cost of a building is derived from the construction cost anew of the said building based on current market prices for materials, labour and present construction techniques and deducting therefrom the accrued obsolescence due to wear and tear, age and obsolescence through technology and market changes, etc.

Income Capitalisation Approach (Investment Method)

- In this method, the annual rental income presently received or expected to command over a period of time by the subject property is estimated and deducting therefrom the expenses or outgoings incidental to the ownership of the property to obtain the net annual rental value. This net annual income is then capitalised by an appropriate capitalisation rate or years purchase figure to adjust the income into the present capital value of the subject property.

The relevant capitalisation rate is chosen based on the investment rate of return expected from the type of property concerned after taking into consideration factors such as risk, capital appreciation, security of income, ease of sale and management of the subject property.

In arriving at the market value of the Property, we noted the Valuer has adopted the Cost Approach as the primary method, while the Income Capitalisation Approach was used merely as a counter-check method.

For the purpose of evaluating the fairness of the purchase consideration for the Proposed Acquisition, we have relied on the Valuation Report prepared by the Valuer in respect of Property.

The Valuer had adopted the Cost Approach as the primary method in appraising the market value of the Property in view that the Property is occupied by MST, being a subsidiary of Mycron and in turn a subsidiary of MIBG, and it is not an income generating property. In the cost method of valuation, the valuation of the Property is arrived at through the summation of the market value of the Property which is valued using the Cost Approach by analysing three (3) comparable sale evidences of leasehold/freehold land located in the vicinity and neighbourhood of the Property.

Notwithstanding that both the Cost Approach and the Income Capitalisation Approach methods of valuation employed by the Valuer are reasonable and represent generally used methodologies of valuation for properties, we wish to highlight that such valuations are subject to, amongst others, the prevalent market condition, supply and demand within the industry, general state of the economy and all the assumptions used in arriving at the market values derived by the Valuer.

In assessing the Purchase Consideration, we have relied upon and are satisfied with the valuation of the Property as conducted by the Valuer. We are of the view that the valuation approaches applied by the Valuer for the valuation of the Property is reasonable, appropriately applied and are consistent with generally applied valuation methodologies for properties in conformity with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia in 2006.

Cost Approach Method

The characteristics, merits and demerits of these comparable properties are noted and appropriate adjustments thereof are then made to arrive at the value of the Property.

For the land component, a summary of the similar transactions adopted in the Cost Approach method of Valuation conducted by the Valuer in assessing the market value of the Property are as set out in the table below:-

Comparable no.	1	2	3
Type of property	A single-storey warehouse with a four-storey office annex with lower ground floor & rooftop	A single-storey factory with a double-storey office annex	A single-storey warehouse with a double storey office annex
Address	Lot No. 1839, Jalan Gergaji 15/14, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan	No. 17, Persiaran Sabak Bernam, Seksyen 26, 40000 Shah Alam, Selangor Darul Ehsan	No. 10, Jalan Pelabur 23/1, Seksyen 23, 40000 Shah Alam, Selangor Darul Ehsan
Land area	87,117 sq. ft.	104,073 sq. ft.	191,310 sq. ft.
Consideration (nett)	RM14,900,000/-	RM23,000,000/-	RM28,000,000/-
Tenure	Leasehold interest for 99 years, expiring on 12 th December 2072 (remaining about 56 years as at the date of transaction)	Freehold interest	Leasehold interest for 99 years, expiring on 30 th May 2098 (remaining about 82 years as at the date of transaction)
Vendor(s)	Kosmo Mobile Manufacture Sdn Bhd	Pacific BBA (Malaysia) Sdn Bhd	Shapadu Properties Sdn Bhd
Purchaser(s)	Quick Junction (M) Sdn Bhd	Pacific Trustee Berhad	C Plus Logistic Sdn Bhd
Date	25/11/2016	04/10/2016	23/06/2016

Comparable no.	1	2	3
Category of land use	Perusahaan	Perusahaan	Perusahaan
Sources	Jabatan Penilaian dan Perkhidmatan Harta	Bursa Malaysia and Form 14A	Jabatan Penilaian dan Perkhidmatan Harta
Analyse of land rate	RM113.20 per sq. ft.	RM108.46 per sq. ft.	RM121.73 per sq. ft.
Adjusted land rate	RM90.56 per sq. ft. ⁽¹⁾	RM86.77 per sq. ft. ⁽²⁾	RM103.47 per sq. ft. ⁽³⁾
Adopted rate, say	RM91.00 per sq. ft.		

Notes:-

- (1) The Valuer had imputed the following adjustments to arrive at the adjusted value per square foot of comparable 1:-

Factors	Adjustments	Remarks/Observations
Location	5%	Location of the Property is better than comparison 1, hence an upward adjustment has been made
Frontage	-15%	Comparison 1 has two (2) frontages as compared to the Property which has only one (1) frontage, hence a downward adjustment has been made
Size	-10%	Comparison 1 has a smaller land area, hence a downward adjustment has been made

- (2) The Valuer had imputed the following adjustments to arrive at the adjusted value per square foot of comparable 2:-

Factors	Adjustments	Remarks/Observations
Location	10%	Location of the Property is better than comparison 2, hence an upward adjustment has been made
Tenure	-25%	Comparison 2 is located on a freehold land, hence a downward adjustment has been made
Size	-5%	Comparison 2 has a slightly smaller land area, hence a downward adjustment has been made

- (3) The Valuer had imputed the following adjustments to arrive at the adjusted value per square foot of comparable 3:-

Factors	Adjustments	Remarks/Observations
Tenure	-15%	Comparison 3 has a longer expiry tenure, hence a downward adjustment has been made

We are of the view that the above adjustments imputed by the Valuer are fair and reasonable and are based on industry average/market derived.

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We note that the Valuer had adopted Comparable 1 as the most suitable comparable as it is the latest transaction which has taken place within the area closest to the Property. The Valuer had adopted the average market rate of RM91.00 per sq. ft. (which has been rounded up from RM90.56 per sq. ft.) based on the adjusted land value of RM90.56 per sq. ft. of Comparable 1 as it is the most recently transacted property and is within the same scheme out of the three (3) comparables. The market value of RM91.00 per sq. ft. is within the range of the market value of the comparable transactions located in and around the Property's locality of RM86.77 per sq. ft. to RM103.47 per sq. ft. With an average market rate of RM91.00 per sq. ft., this translates into the value for the land of approximately RM17.8 million.

For the building component, the Valuer has adopted the parameter of the Property as set out in the table below:-

Item	Rate Adopted	Justification
Building cost	<ul style="list-style-type: none"> • Factory with office annex and office building, – RM120 per sq. ft. (MFA), RM55 per sq. ft. (AFA) • Refuse chamber and pump house & guard house – RM80 per sq. ft. (MFA), RM40 per sq. ft. (AFA) • Refuse chamber (open-sided) – RM50 per sq. ft. (MFA) • Car porch bays/motorcycle shed – RM50 per sq. ft. (AFA) 	Based on Davis Langdon & Scab Construction Handbook Malaysia 2017, construction cost for industrial premises is estimated at RM120 per sq. ft. to RM180 per sq. ft. which is deemed fair to reflect the current local construction industry aptly after taking into consideration the building condition and age of the Property.
Depreciation	45% for all building premises	The Property is about 26 years old as per Certificate of Occupancies dated 22 January 1991 and 12 August 1991, but in a maintained state of existence when viewed

Note: MFA – Main Floor Area, AFA – Ancillary Floor Area

(Source: Valuation Report)

In arriving at the market value of the subject buildings, we noted that the Valuer had adopted the followings:-

- (a) the building cost ranging from RM55 to RM120 per sq. ft. for the main buildings (factory with office annex and office building);
- (b) the building cost ranging from RM40 to RM80 per sq. ft. for the refuse chamber, pump house, guard house, car park and motorcycle shed; and
- (c) the depreciation rate of 45% for the all building premises based on the building's age and maintenance status.

Based on the above, the total depreciated building value arrived at by the Valuer is approximately RM8.21 million. In view that the age of the subject building is 26 years old, the Valuer has applied a 45% adjustment for depreciation.

Hence, the market value for the Property as derived by the Valuer is approximately RM26.0 million, being the summation of the market value of the land of RM17.8 million and the buildings of RM8.2 million.

Income Capitalisation Approach (Investment Method)

We noted that the Income Capitalisation Approach was used by the Valuer to counter-check the reasonableness of the market value derived from the Cost Approach Method. In arriving at the market value based on the Income Capitalisation Approach, the Valuer had adopted the following main parameters:-

Parameters	Justification
Rental rate	<p><u>Current Term</u> Term 1 – RM1.05 per sq. ft.</p> <p>Based on the agreed rate as stated in the letter of new rental rates for renewal term dated 1 April 2015.</p> <p>The current passing rental appears on the low side comparing to the market rental as the tenant and the landlord are related parties.</p>
	<p><u>Reversionary Term</u> The investigations revealed that the current asking/passing rentals of industrial properties located in Sections 15, 16, 23 and 32 of Shah Alam are ranging from RM1.40 per sq. ft. to RM2.40 per sq. ft. In this valuation, 1.60 per sq. ft. per month had been adopted as being fair and reasonable after making necessary adjustments for the location and size factors.</p>
Outgoings	<p>The outgoings rate has been arrived at RM0.18 per sq. ft., which is about 18% of the gross annual rental, based on the actual outgoings i.e. assessment, quit rent, insurance and 5% from the gross annual rental for the repair and maintenance. Hence, about 18% of the outgoings has been adopted in the Current Term and Reversionary Term.</p>
Capitalisation rate (Yield)	<p>The analysis indicates that the fair rate of capitalisation for the subject property shall be at 6.00% + 3% (sinking fund) per annum for the current term and 6.50% + 3% (sinking fund) per annum for the reversionary period deemed as fair for the purpose of this valuation.</p> <p>The analysed yields based on actual transaction of the industrial properties in Klang Valley range between 5.02% and 8.20%.</p>
Void	<p>5% allowance for void has been considered to be fair and reasonable for the subject property as the industrial premises thereon is a property-erected entity. Moreover, the property is located within a well-sought after industrial locale.</p>

Based on the aforesaid, we noted that in the Income Capitalisation Approach (Investment Method) of valuation:-

- (a) The current rental rate of RM1.05 per sq. ft. appears considerably low and does not fall within the range of the current passing rentals for similar properties within the same surroundings as the Property of between RM1.40 per sq. ft. and RM2.40 per sq. ft.

- (b) The rental rate based on reversionary term of RM1.60 per sq. ft., which is derived at after taking into consideration the current rental rate of RM1.05 per sq. ft., is at the lower end of the current passing rentals for similar properties within the same surroundings as the Property of between RM1.40 per sq. ft. and RM2.40 per sq. ft.
- (c) The yield factor adopted by the Valuer is within the range of comparable industrial developments located within Klang Valley of between 5.02% and 8.20%.

Premised on the above, the Valuer had adopted the market value of RM23.5 million based on the Income Capitalisation Approach (Investment Method).

Set out below is a summary of the market value of the Property computed based on the Cost Approach and Income Capitalisation Approach (Investment Method):-

Method of valuation	Market value
Cost Approach (primary method)	RM26,000,000
Income Capitalisation Approach (counter check method)	RM23,500,000

In arriving at the final value of the Property of RM26.0 million, KAF IB has noted that the Valuer has adopted the Cost Approach method of valuation which is a more reliable method and the most appropriate measure to value the Property as the Valuer is of the opinion that the Income Capitalisation Approach (Investment Method) has its limitations as the rentals (for both current and reversionary terms) are set below rack levels due to the old state of the buildings and has been tenanted from a related party, i.e. MIGB and thus not reflecting the highest and the true value of the Property. In addition, the Property is not an income-generating asset and is solely occupied by MST – thereby reinforcing the view that the Income Capitalisation Approach (Investment Method) is less appropriate/suitable in deriving the market value of the Property.

Based on the foregoing and the Valuer's Valuation Report:

- (a) we are of the opinion that the valuation methodologies adopted by the Valuer are **reasonable** and consistent with generally applied valuation methodologies;
- (b) we are satisfied with the justifications and key assumptions adopted by the Valuer in deriving the market value of the Property; and
- (c) we are of the view that the adoption of Cost Approach method as the primary valuation methodology in deriving the market value of the Property is **reasonable**.

Premise on the above, we are of the view that the Purchase Consideration is **fair**.

5.4 Outlook and prospects

In evaluating the prospects of the Group moving forward, we have considered the overview of the Malaysian economy, the outlooks of the Malaysian steel and property sector as well as the prospects of the Property. Our observations are as follows:-

5.4.1 Overview and outlook of the Malaysian economy

For the fourth quarter of 2017, the Malaysian economy registered a growth of 5.9% (3Q 2017: 6.2%) as private sector spending continued to be the primary driver of growth (7.4%; 3Q 2017: 7.3%). The external sector performance improved further (5.4%; 3Q 2017: 1.7%), as real import growth moderated faster than real export growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (3Q 2017: 1.8%). For the year as a whole, the economy registered a robust growth of 5.9%.

Domestic demand expanded by 6.2% (3Q 2017: 6.6%) supported by continued strength in private sector expenditure (7.4%; 3Q 2017: 7.3%), amid waning support from public sector spending (3.4%; 3Q 2017: 4.0%).

On the supply side, most economic sectors recorded a moderate expansion, except for the agriculture sector, while growth in the mining sector declined.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2017, Quarterly Bulletin, Bank Negara Malaysia)

The global economy is expected to expand 3.7% in 2018 (2017: 3.6%). The advanced economies are projected to register growth of 2% (2017: 2.2%), supported by strong domestic and external demand. In the emerging market and developing economies, GDP is expected to improve 4.9% (2017: 4.6%), mainly supported by higher global demand and rising market confidence, particularly economy will still face some downside risks due to policy uncertainties in the major economies, rising protectionism, geopolitical tensions, the effects of climate change, and volatility in the financial markets.

The Malaysian economy will remain resilient in 2018, with real GDP expanding between 5.0% and 5.5%, led by domestic demand. Private sector expenditure continues to be the primary driver of growth with private investment and consumption growing 8.9% and 6.8%, respectively. Meanwhile, public sector expenditure is forecast to decline, in line with lower capital outlays by public corporations. On the supply side, growth is expected to be broad based, with all sectors registering positive growth. Malaysia's external position is forecast to remain favourable supported by global growth and trade. Against this backdrop, the nominal GNI per capita is expected to increase 5.1% from RM40,713 in 2017 to RM42,777 in 2018. With investment growing at a faster pace, the savings-investment gap will narrow to 2.3% of GNI. The economy will continue to operate under conditions of full employment with an unemployment rate of below 4%, while inflation remains benign. In line with fiscal consolidation efforts, the fiscal deficit will further decline to 2.8% of GDP in 2018 (2017: 3%). Accordingly, the Federal Government debt remains sustainable within the prudent limit of 55% of GDP. These developments will further strengthen the nation's economic fundamentals and resilience to further propel the country towards the milestones of an advanced and high-income nation by 2020, doubling the size of the economy to RM2 trillion in 2025 and joining the ranks of top 20 countries by 2050.

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

5.4.2 Overview and outlook of the steel industry in Malaysia

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

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

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

Non-E&E exports posted a stronger growth of 20.9% (January - August 2016: 5%) with almost all subsectors exhibiting positive performance. Export receipts from petroleum products rebounded significantly by 43.6% (January – August 2016: -3.6%) following increased demand, particularly from Indonesia (135.2%), China (96.4%), Australia (73.7%) and Singapore (24.5%). Strong performance was recorded in refined petroleum products (34.7%) as well as petroleum gases and gaseous hydrocarbon (41%). Exports of chemicals and chemical products rose sharply by 18.3% (January – August 2016: 6.6%) led by organic chemicals and plastic in primary form, which expanded 25.9% and 13.3%, respectively. Demand was notably higher from China, Indonesia, Japan, Singapore and Thailand. The manufacturing sector is forecast to increase 5.3% in 2018 (2017: 5.5%). Output of export-oriented industries is projected to expand on account of sustained demand for E&E, refined petroleum and woods product. Likewise, growth in domestic-oriented industries is anticipated to remain resilient supported by ongoing construction of infrastructure projects, especially food and transport equipment.

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

The World Steel Association (“**Worldsteel**”) today released its October 2017 Short Range Outlook (“**SRO**”). Worldsteel forecasts global steel demand will reach 1,622.1 Mt in 2017. In 2018, it is forecast that global steel demand will reach 1,648.1 Mt. Worldsteel forecasts that global steel demand excluding China will reach 856.4 Mt, an increase of 2.6% in 2017 and 882.4 Mt, an increase of 3.0% in 2018.

In 2018, Worldsteel expects global growth to moderate, mainly due to slower growth in China, while in the rest of the world, steel demand will continue to maintain its current momentum.

Developing countries benefit from a strengthening global economy. ASEAN remains a high growth region, especially Vietnam and the Philippines, while more mature economies such as Thailand and Malaysia are showing slower growth. Steel demand in the developing economies excluding China is expected to grow by 2.8% in 2017 and 4.9 % in 2018.

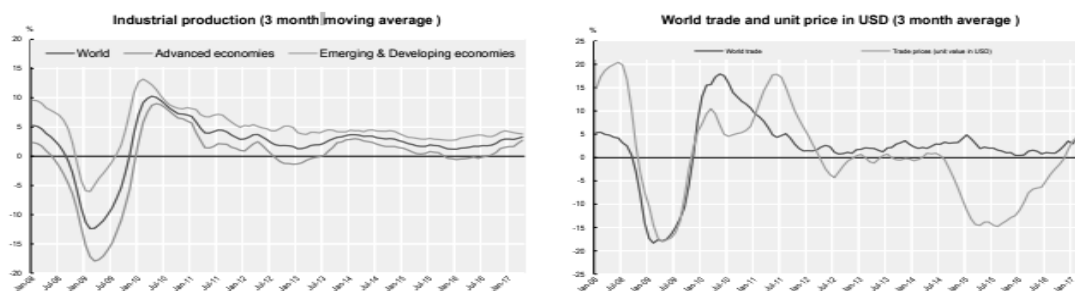
(Source: Short Range Outlook October 2017, Worldsteel Association)

Recent months have seen a modest pick-up in global economic growth, both in advanced and in emerging economies, after years of sluggish developments. World industrial production has improved in recent months, mostly driven by industrial output in advanced economies (Figure 1). Global trade and commodity prices have also picked up since the last year, despite increasing trade frictions.

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Figure 1. World industrial production, trade, and trade prices

% change from one year earlier



Source: Netherlands Bureau for Economic Policy Analysis (CPB).

According to the OECD's June 2017 Economic Outlook, world GDP growth is expected to remain relatively weak, despite a gradual improvement from 3% in 2016 to a projected 3.5% in 2017 and 3.6% in 2018 (see Table 1 below for the latest OECD GDP growth forecasts). The OECD revised its forecasts for global growth in 2017 slightly upwards compared to the 3.3% growth projected in the OECD's March 2017 Interim Economic Outlook.

Steel market sentiment has improved since 2016, potentially pushed higher by the increase of steel prices, modest improvements in steel demand and expectations about capacity reductions. However, the improvement could prove temporary given the extent of the unaddressed underlying structural imbalances coupled with sluggish demand growth in the years to come.

(Source: Steel Market Development 4th Quarter 2017, Organisation for Economic Cooperation and Development)

In 2016, Malaysia maintained its ranking as the world's fifteenth-largest steel importer. Malaysia imported 8.9 million metric tons of steel in 2016, a 16 percent increase from 7.7 million metric tons in 2015. Malaysia's imports represented about 2 percent of all steel imported globally in 2016. The volume of Malaysia's 2016 steel imports was more than a third the size of the world's third-largest and Asia's largest importer, South Korea. In value terms, steel represented just 3 percent of the total goods imported into Malaysia in 2016.

In 2016, the volume of Malaysia's steel imports increased by 16 percent to 8.9 million metric tons from 7.7 million metric tons in 2015. By contrast, the value of Malaysia's 2016 steel imports decreased by 1.2 percent to \$5 billion from \$5.1 billion in 2015, which can be attributed to a significant drop in global steel prices.

Flat products accounted for 46 percent of Malaysia's steel imports by volume in 2016, with a total of 4.1 million metric tons. Long products represented 42 percent of Malaysia's imports, with 3.7 million metric tons. Pipe and tube steel products moved up to the third position at 6 percent of the total import share (510 thousand metric tons), followed by stainless steel products at 5 percent of Malaysia's imports (436 thousand metric tons) and lastly semi-finished steel at 2 percent of steel imports (190 thousand metric tons).

Malaysia's crude steel production decreased by 29 percent between 2009 and 2015. Between 2015 and 2016, production increased 5 percent to 4 million metric tons. Apparent consumption (a measure of steel demand), however, has been increasing. Demand grew by 55 percent between 2009 and 2016 — and 18 percent between 2015 and 2016 alone — as demand significantly outpaced production. With rising import levels, more than twice as large as Malaysia's production in 2016, imports contribute substantially to steel demand. Import penetration increased nearly every year since 2009, peaking at 79 percent in 2009. In 2016, import penetration declined 2 percent to 77.2 percent.

(Source: Global Steel Trade Monitor (Steel Imports Report: Malaysia) May 2017, International Trade Administration)

5.4.3 Malaysian and Selangor property market

According to the Annual Property Market Report of 2016, the volume and value of property transactions have dropped by 11.5%, from 362,105 transactions in 2015 to 320,425 transactions in 2016, and 3.0% from RM149.90 billion in 2015 to RM145.41 billion in 2016, respectively. The table below summarizes the state of the market between 2015 and 2016:-

Year	Volume of Property Transactions	Value of Property Transactions
2016	320,425	RM145.41 billion
2015	362,105	RM149.90 billion

By sector, the residential sub-sector continues to maintain its dominant position since 2001, at about 63.4% of the total property market activities, followed by agricultural (21.6%), commercial (7.4%), development land (5.9%) and industrial (1.8%). In terms of value of property transactions, the residential sub-sectors also remained the highest, followed by commercial, development land, agricultural and industrial.

Despite the drop of 4.3% in the total volume of property transactions from 15,635 transactions in 1Q 2016 to 14,956 transactions in 1Q 2017, the total value of the property transactions in Selangor has grown 11.5% from RM8.662 billion in 1Q 2016 to RM9.655 billion in 1Q 2017, indicating that the property market in Selangor is still promising.

The total volume of the industrial sub-sector in Selangor increased slightly by 4.0% from 349 transactions in 1Q 2016 to 363 transactions in 1Q 2017. However, the total value of industrial property transactions has experienced a huge growth of 41.0% from RM898.07 million in 1Q 2016 to RM1.267 billion in 1Q 2017.

The subject property is categorised as a detached factory and located in the district of Petaling. In Selangor, there were 45 detached factories that were transacted with a total value of RM488.42 million in 1Q 2017; a steep rise of approximately 75.0% compared to 26 detached factories with the value of RM272.26 million in 1Q 2016. Despite the growth in both the total volume and value of the transactions in the district, the average transacted value of the detached factories remained stable.

(Source: Valuation Report)

5.4.4 Prospects of the Property

The subject property comprises a single-storey detached factory with a double-storey office annex, a free-standing three-storey office building and other ancillary buildings, which is located within an established industrial area in Seksyen 15, Shah Alam. This industrial area generally consists of detached factories cum office buildings of individual design, purposed-built factories as well as shop/offices and shop/houses, and houses several notable industrial premises, namely Federal Metal Printing Factory Sdn Bhd, Power Cables Malaysia Sdn Bhd, Syarikat Aksesori Electrical (Schneider) Sdn Bhd, Kompleks Perusahaan LTAT, just to name a few.

The subject property bears direct frontage onto Persiaran Selangor, an arterial road within Seksyen 15, Shah Alam. The latter is located approximately 20 kilometres to the south-west of Petaling Jaya town centre and about 4 kilometres to the south-east of Shah Alam town centre. In addition, the locality is easily accessible and well connected to major highways, i.e. Federal Highway and Lebuh raya Kemuning-Shah Alam (LAKSA) via Persiaran Selangor and Persiaran Raja Muda.

Transportation is however limited to private mode at present. The subject property is located within close proximity to Shah Alam city centre and a number of matured residential areas, i.e. Seksyen 2, Seksyen 3, Seksyen 4, Seksyen 18 and Seksyen 19 of Shah Alam, just to name a few, which consist of predominantly of landed housing schemes.

From the foregoing, it is obvious that the Property is indeed well-sited upon for industrial disposition, both at the micro and macro level, due to its enhanced accessibility and connectivity to essential services and sources of labor in the locality and region.

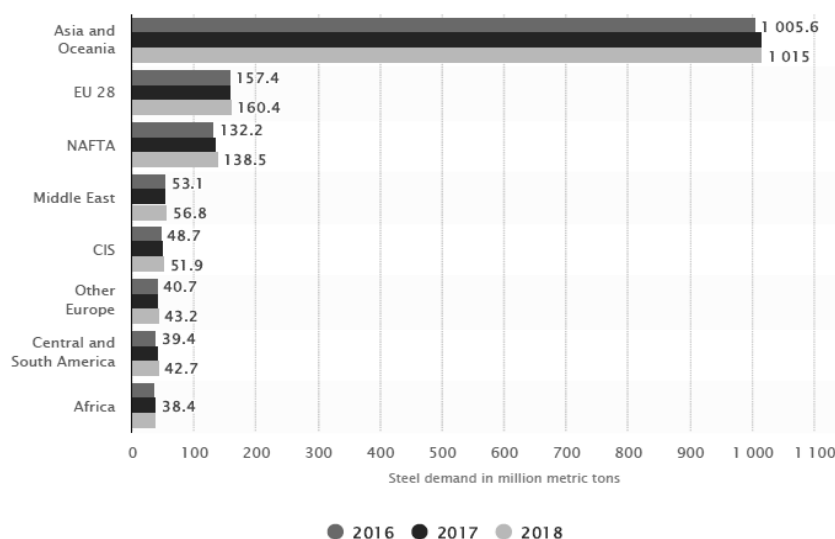
Besides the above, based on the Valuer's previous analysis, the overall industrial property market in Petaling and Shah Alam are also grounded on good fundamentals of healthy demand as there are no unsold units being recorded in the completed, under construction and yet to construct project categories during the review period. In fact, investors are capitalising on the investment opportunities in the industrial segment as the weaker ringgit and softer local economic market are creating lower entry criteria for foreign companies or investors to set up their manufacturing plants/factories/warehouses in the prime industrial areas of Malaysia, such as in the Seksyen 15 precinct of Shah Alam City.

(Source: Valuation Report)

5.4.5 Prospects of the Mycron Group

We understand from the management that the Group expects the steel businesses in the mid-stream Cold Rolled Coil and Steel Tube manufacturing to continue recording positive earnings in the near term future, based on the six (6)-months unaudited financial statements for the period ended 31 December 2017, hence, contributing positively to the earnings per share of Mycron barring any significant unforeseen events to the steel market. Based on the latest audited consolidated financial statement of Mycron for the FYE 30 June 2017, Cold Rolled Coil and Steel Tube segments in aggregate contributed approximately 99.33% and 99.43% to the total revenue and net profit of Mycron Group, respectively. It is the Group's long-term view that the Malaysian government will continue to practise sound judgement in its flat steel policy, which bodes well for the Group's steel activities. The ability to keep Malaysia as a competitive manufacturer, whilst protecting its industries from unfair trade practices, takes great skill, and can only be achieved with open dialogue between regulators and industry.

Although the steel industry is highly competitive and is subject to significant global supply and demand anomalies, the prospects for the business remain positive, in view of the growing demand for steel in the Asia and Oceania region despite the soft economic outlook.



(Source: The Statistics Portal: Estimated demand for steel worldwide between 2016 and 2018, by region (in million metric tons))

The Group's ability to maintaining strict control on operating costs with consistent monitoring of production efficiencies also contribute positively to the steel segment's performance outlook.

(Source: The management of Mycron)

Comments by KAF IB:-

We have taken note of the outlook and prospects of the Malaysian economy as discussed above. As stated in the *'Bank Negara Malaysia Annual Report 2017'*, the Malaysian economy recorded a robust growth of 5.9% in 2017 (2016 : 4.2%). Further, amid the stronger global economic conditions, the Malaysian economy is projected to expand by 5.5% – 6.0% in 2018. Private sector expenditure will remain the key driver of growth, underpinned mainly by continued growth in wages and employment, business optimism and favourable demand. Public sector expenditure is expected to decline due to the contraction in public investment amid more moderate growth in public consumption. The external sector is expected to benefit from better global growth, and is likely to generate positive spillovers to domestic economic activity.

On the outlook and prospects of the steel industry, we noted that steel production increased in all major parts of the world and Malaysia has maintained its ranking as the world's fifteenth-largest steel importer in 2016. Malaysia's steel imports increased to 8.9 million metric tons and represented about 2% of all steel imported globally in year 2016. In 2016, flat products accounted for 46% of Malaysia's steel imports by volume with a total of 4.1 million metric tons. The pipe and tube steel products ranked third at 6% out of the total import share of 510 thousand metric tons. We further noted from *'Steel Market Development 4th Quarter 2017, Organisation for Economic Cooperation and Development'* that steel demand continued to grow rapidly in the Philippines (10.5%) and Malaysia (2.5%) with both countries posted stronger growth than expected (amongst the ASEAN countries). In Malaysia, steel demand is likely to continue growing, pushed by a number of large infrastructure investment projects, in oil refineries as well as new railways and highways.

On the property sector, we have noted that the Property is classified as a detached factory and located in the district of Petaling. There were about 45 detached factories in Selangor that were transacted with a total value of RM488.42 million in the first quarter of 2017. This represents a sharp increase of approximately 75% compared to 26 detached factories with the value of RM272.26 million in the first quarter of 2016. The average transacted value of the detached factories remained stable irrespective of growth in both the total volume and value of the transactions in the district.

Due to the strategic location of the Property which is located within an established industrial area in Seksyen 15, Shah Alam is also simply accessible and well connected to major highways, i.e. Federal Highway and Lebuhraya Kemuning-Shah Alam (LAKSA) via Persiaran Selangor and Persiaran Raja Muda. It is also noted that the industrial property market in Shah Alam is in strong demand as there are no unsold units being recorded in the completed, under construction and yet to construct project categories during the Valuer's period in review.

Accordingly, we are of the view that the Proposed Acquisition is **reasonable** and **not to the detriment** of the non-interested shareholders of Mycron, against the backdrop of the Selangor property market outlook, the prospects of the Malaysian economy and steel industry in general as well as the overall condition and location of the Property as set out above.

5.5 Financial effects of the Proposed Acquisition

In evaluating the Proposed Acquisition, we have taken note of the financial effects of the Proposed Acquisition as set out in Section 6 of Part A of the Circular, which are summarised below:-

(a) **Share capital, substantial shareholders' shareholdings and convertible securities**

We note that the Proposed Acquisition will not have any effect on the share capital and substantial shareholders' shareholdings as there is no issuance of new Mycron Shares. In addition, Mycron does not have any convertibles in issued.

(b) NA and gearing

We note that the Proposed Acquisition is not expected to have a material impact on the NA of the Mycron Group for the FYE 30 June 2018. We also note that the Purchase Consideration is to be satisfied via internally-generated funds and/or bank borrowings, though the breakdown of which cannot be ascertained as yet.

The gearing level of the Group is expected to increase slightly in the event the Purchase Consideration is funded via borrowings. Nevertheless, the gearing level of the Group is still at a manageable level considering that it is below 1 time. For illustration purpose only, assuming that the Group secures external borrowings of up to 90% of the Purchase Consideration, the gearing level of the Group will increase from 0.22 time to 0.28 time (based on the audited consolidated financial statements of Mycron for the FYE 30 June 2017).

(c) EPS

We note that the Proposed Acquisition is not expected to have any material effect on Mycron's consolidated earnings for the FYE 30 June 2018. In addition, the Proposed Acquisition is expected to contribute positively to the future earnings of the Mycron Group for the ensuing financial years as a result of rental savings (which would be off-set by the interest payments on the Loan) and the potential capital appreciation on the Property.

Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are **not detrimental** to the non-interested shareholders of Mycron.

5.6 Risk factors associated with the Proposed Acquisition

In evaluating the Proposed Acquisition, the non-interested shareholders should carefully consider the potential risk factors arising from the Proposed Acquisition which could materially affect the business, operating results and financial condition of the Mycron Group as set out in Section 7 of Part A of the Circular.

(a) Completion risk

We note that the completion of the Proposed Acquisition is conditional upon the Conditions Precedent being fulfilled or waived and the relevant approvals being obtained from the parties and authorities. We also note that there can be no assurance that such conditions will be fulfilled or waived within the timeframe stipulated in the SPA. In the event that the Conditions Precedent are not fulfilled/waived, the relevant SPA will be terminated and the Proposed Acquisition will not be completed.

Nonetheless, we note that there is an avenue for Mycron to terminate the SPA and be refunded for the monies paid in the event the Conditions Precedent cannot be fulfilled/waived within the stipulated time period under the SPA.

(b) Financing risk

We note that the funding and interest rate risk is inevitable as MST intends to fund the balance Purchase Consideration amounting to RM24.5 million via bank borrowings. We also note that any utilisation of internal funds is expected to result in a depletion of MST's working capital, which may have an effect on the cash flow position of Mycron Group. Any additional borrowings to finance the Proposed Acquisition would expose MST to a financing risk such as fluctuations in interest rates.

Having evaluated the risks and the mitigating factors, we are of the view that although measures will be taken by the Board and the management of Mycron to limit/mitigate the risks highlighted herein, no assurance can be given that the abovementioned risk factors will not materialise and give rise to adverse impact on the operation and business of the Mycron Group, its competitiveness, financial position and/or prospects thereon.

6. KAF IB'S OPINION

Non-interested shareholders should consider the merits and demerits of the Proposed Acquisition carefully based on all relevant and pertinent factors including those and other considerations as set out in this IAL, the Circular and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Acquisition.

We have assessed and evaluated the Proposed Acquisition and have set out our evaluation in Section 5 of this IAL. In arriving at our conclusion and recommendation, we have considered the Proposed Acquisition on an overall basis to assess whether the Proposed Acquisition is fair and reasonable so far as the non-interested shareholders are concerned as well as whether the Proposed Acquisition is detrimental to the non-interested shareholders and whether the non-interested shareholders should vote for or against the Proposed Acquisition. Therefore, our opinion regarding the Proposed Acquisition is rendered on an overall basis.

In review, we have considered the following factors to arrive at our overall evaluation and assessment of the Proposed Acquisition, which you should consider before voting on the ordinary resolution for the Proposed Acquisition to be tabled at the forthcoming EGM of Mycron:-

- (a) The rationale of the Proposed Acquisition is in line with the Group's aim to utilise the Property as the corporate office of MST in line with the objective of offering long-term operational cost savings to the Group and subsequently will not be subject to rent increases upon expiry of the tenancy. In addition, Proposed Acquisition will eliminate conflict of interest as the Property is currently owned by MIGB, a major shareholder of Mycron, which is also controlled by related parties of the Company.

Premised on the above, we are of the opinion that the rationale of the Proposed Acquisition is **reasonable**.

- (b) We have reviewed the salient terms of the SPA as set out in Section 3.4 of Part A of the Circular and are of the opinion that they are standard terms (normally incorporated in an agreement for transactions similar to the Proposed Acquisition), of commercial nature, **reasonable** insofar as the interests of Mycron and MST are concerned and **not detrimental** to the non-interested shareholders of Mycron.
- (c) The Purchase Consideration was arrived at based on a willing-buyer willing-seller basis taking into consideration the market value of the Property of RM26.0 million as appraised by the Valuer vide its valuation report dated 31 October 2017 using the Cost Approach as the primary method and cross checked with the Income Capitalisation Approach of valuation. In assessing the Purchase Consideration, we have relied upon and are satisfied with the valuation methodologies adopted/considered by the Valuer in deriving the market value of the Property together with the respective basis and assumptions. Premised on the above, we are of the opinion that the valuation of the Property using the Cost Approach method as the primary valuation methodology is **reasonable**, and the basis and justification of arriving at the Purchase Consideration is **fair**.
- (d) Given that the overall outlook and prospect of the Malaysian economy, Malaysian steel industry and the Malaysian and Selangor property market appears to be reasonably positive, and considering the relatively good location of the Property, the Proposed Acquisition is expected to enhance the prospects of the Group.

- (e) The Proposed Acquisition is not expected to have any material effect on the share capital, substantial shareholders' shareholdings, consolidated earnings and EPS, NA and gearing of the Company/Group for the FYE 30 June 2018. Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are **not detrimental** to the non-interested shareholders of Mycron.
- (f) Although measures will be taken by the Board and the management of Mycron to mitigate the risks associated with the Proposed Acquisition, no assurance can be given that the said risk factors (as set out in Section 7 of part A of the Circular) will not occur and give rise to material and adverse impact on the operation and business of the Mycron Group.

Premised on the foregoing and our overall evaluation and assessment of the Proposed Acquisition based on the information available to us up to the LPD where our opinion regarding the Proposed Acquisition is rendered on an overall basis, we are of the opinion that the Proposed Acquisition is **FAIR** and **REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders of Mycron.

Accordingly, we recommend that the non-interested shareholders to **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Yours faithfully,
For and on behalf of
KAF INVESTMENT BANK BERHAD

ROHAIZAD ISMAIL
Chief Executive Officer

HON KIM TENG
Director
Corporate Finance

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

Kuala Lumpur Office
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
www.crowehorwath.com.my
info@crowehorwath.com.my

04 APR 2018

**The Board of Directors
MYCRON STEEL BERHAD**

Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Wilayah Persekutuan
Kuala Lumpur

Dear Sirs

**MYCRON STEEL BERHAD (“MYCRON” OR “COMPANY”)
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Mycron and its subsidiaries (collectively known as “Group”) as at 30 June 2017, for which we have stamped for the purpose of identification. The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors of the Company for inclusion in the Circular, in connection with the following:-

- (a) proposed renounceable rights issue of up to 56,709,091 shares in Mycron (“Mycron Shares”)(“Rights Shares”) on the basis of one (1) Rights Share for every five (5) Mycron Shares held, together with up to 28,354,546 free detachable warrants (“Warrants”) on the basis of one (1) Warrant for every two (2) Rights Shares subscribed (“Proposed Rights Issue with Warrants”); and
- (b) proposed acquisition of a piece of leasehold land together with buildings erected thereon by Melewar Steel Tube Sdn. Bhd., a wholly-owned subsidiary of the Company, from Melewar Industrial Group Berhad for a total purchase consideration of RM26.0 million (“Proposed Acquisition”).

(collectively referred as the “Proposals”).

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in Note 1 of Appendix A.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors, for illustrative purpose only, to illustrate the effect of the Proposals on the audited consolidated statement of financial position of the Group as at 30 June 2017.

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



As part of this process, information about the Group's consolidated financial position has been extracted by the Board of Directors from the audited financial statements of the Group for the financial year ended 30 June 2017.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors of the Company is responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as described in Note 1 of Appendix A.

REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 1 of Appendix A.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis as described in Note 1 of Appendix A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

Crowe Horwath Offices in Malaysia:

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PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

The purpose of Pro Forma Consolidated Statements of Financial Position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the event had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Pro Forma Consolidated Statements of Financial Position of the Company have been compiled, in all material respects, on the basis as described in Note 1 of Appendix A.

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**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30
JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**OTHER MATTERS**

Our report on the Pro Forma Consolidated Statements of Financial Position has been prepared for inclusion in the Circular in connection with the Proposals. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

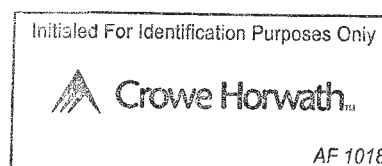
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Crowe Horwath
Firm No AF 1018
Chartered Accountants
Kuala Lumpur

A handwritten signature in black ink, appearing to be "Ngiam Mia Teck".

Ngiam Mia Teck
Approval No: 03000/07/2018 J
Chartered Accountant

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of Mycron have been prepared based on the audited consolidated statements of financial position of Mycron as at 30 June 2017, incorporating the impact of the following events or transactions:-

- (i) proposed renounceable rights issue of up to 56,709,091 shares in Mycron ("Mycron Shares") ("Rights Shares") on the basis of one (1) Rights Share for every five (5) Mycron Shares held, together with up to 28,354,546 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares subscribed at an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue with Warrants") and full exercise of the Warrants issued pursuant to the Proposed Rights Issue with Warrants as described in Note 1(a) and 1(b) below, have been effected on that date; and
- (ii) Melewar Steel Tube Sdn. Bhd. ("MST"), a wholly-owned subsidiary of Mycron had on 20 November 2017 entered into a conditional sale and purchase agreement ("SPA") with Melewar Industrial Group Berhad ("MIGB") to acquire a piece of leasehold land known as Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan and held under Title No. HSD 166735 Bandar Shah Alam, Daerah Petaling, Negeri Selangor, together with buildings erected thereon ("Property") from MIGB for a total purchase consideration of RM26.0 million ("Purchase Consideration") to be satisfied entirely by way of cash ("Proposed Acquisition").

(collectively referred as the "Proposals").

The Pro Forma Consolidated Statements of Financial Position of Mycron have been properly compiled on the basis stated using financial statements prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of Mycron.

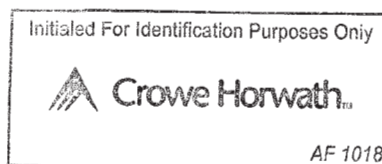
The Pro Forma Consolidated Statements of Financial Position have been prepared solely for illustrative purposes, to show the effects of the Proposed Rights Issue with Warrants to raise gross proceeds of RM10.80 million for Minimum Scenario and RM28.36 million for Maximum Scenario (assuming all entitled shareholders subscribe in full for their entitlements under the Proposed Rights Issue with Warrants) and the Proposed Acquisition.

A minimum subscription level of Rights Shares to meet the minimum amount to be raised of RM10.8 million ("Minimum Subscription Level"), Mycron, in view of the Proposed Revision (as define herein)⁽¹⁾, has procured a revised written irrevocable undertaking dated 18 December 2017 from its major shareholder, namely MIGB, that it will subscribe for not less than 21,600,000 Rights Shares at an indicative issue price of RM0.50 per Rights Share so as to meet the Minimum Subscription Level and also that it will not dispose of any of its Mycron Shares following the announcement of the Proposed Rights Issue with Warrants up to the Entitlement Date. The Proposed Rights Issue with Warrants shall only be implemented upon the successful implementation of MIGB's proposed rights issue with warrants.

Note:

- (1) The issue price of the Rights Shares will be determined and fixed by the board of directors of the Company at a later date, after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration, amongst others, the historical share price movement of Mycron.

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. BASIS OF PREPARATION (CONT'D)

The details of minimum and maximum scenarios are set out below:-

(a) Minimum Scenario

The minimum scenario assumes only the major shareholder of the Company, MIGB, to subscribe for not less than 21,600,000 Rights Shares with 10,800,000 Warrants at an indicative issue price of RM0.50 per Rights Share to raise gross proceeds of RM10.80 million on the basis of one (1) Rights Share for every five (5) existing Mycron Shares held, together with Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed. The warrants reserve assumes the relative fair value method of the Warrants of RM0.11 each, being the value determined through the Black-Scholes option pricing model extracted from Bloomberg. It also incorporates the effects of estimated expenses of RM700,000 in relation to the Proposed Rights Issue with Warrants. Subsequently, the 10,800,000 Warrants are fully exercised at an indicative exercise price of RM0.88 each.

(b) Maximum Scenario

The maximum scenario assumes the shareholders of Mycron whose names appear in the record of depositors of the Company as at the close of business on the Entitlement Date ("Entitled Shareholders") to fully subscribe 56,709,091 Rights Shares with 28,354,546 Warrants at an indicative issue price of RM0.50 per Rights Share to raise gross proceeds of RM28.36 million on the basis of one (1) Rights Share for every five (5) existing Mycron Shares held, together with Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed. The warrants reserve assumes the relative fair value method of the Warrants of RM0.11 each, being the value determined through the Black-Scholes option pricing model extracted from Bloomberg. It also incorporates the effects of estimated expenses of RM700,000 in relation to the Proposed Rights Issue with Warrants. Subsequently, the 28,354,546 Warrants are fully exercised at an indicative exercise price of RM0.88 each.

Then, Mycron acquires the Property for a total purchase consideration of RM26.0 million with the effects of estimated expenses of RM400,000 in relation to the Proposed Acquisition.

1.1 Pro Forma I

Pro Forma I incorporates the effects of the subscription of the Proposed Rights Issue with Warrants in both minimum and maximum scenarios respectively.

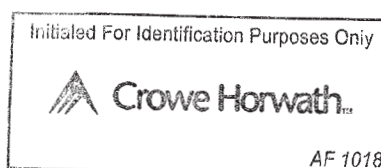
1.2 Pro forma II

Pro Forma II incorporates the effects of Pro Forma I and assuming full exercise of Warrants in both minimum and maximum scenarios respectively.

1.3 Pro forma III

Pro Forma III incorporates the effects of Pro Forma I and II as well as the Proposed Acquisition.

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

2. UTILISATION OF PROCEEDS FROM THE PROPOSED RIGHTS ISSUE WITH WARRANTS

The Proposed Rights Issue with Warrants is expected to raise gross proceeds which will be utilised in the following manner based on the scenarios as illustrated below:-

	Expected time frame for utilisation of proceeds from the date of listing of the Rights Shares	Minimum Scenario RM'000	Maximum Scenario RM'000
Capital expenditure ⁽¹⁾	Within 12 months	10,100	15,000
Working capital ⁽²⁾	Within 12 months	-	12,655
Estimated expenses in relation to the Proposed Rights Issue with Warrants	Within 1 month	700	700
Total		10,800	28,355

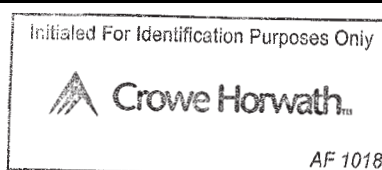
Notes:-

- (1) Mycron intends to utilise up to RM15.00 million of the proceeds raised from the Proposed Rights Issue with Warrants to partially finance its wholly-owned subsidiary, Mycron Steel CRC Sdn. Bhd. ("MSCRC") planned revamp of its aging Continuous Pickling Line and the construction of a new Acid Regeneration Plant.

The Continuous Pickling Line is the first stage of the cold-rolled-coil manufacturing process, where the raw material hot-rolled coils is subjected to an acid-bath to be pickled and de-scaled for a clean surface before moving to the next processing stage. The acid used in the aforementioned process loses its concentration and needs to be topped-up and replaced regularly. The objective of the new Acid Regeneration Plant is to retreat the 'used acid' for use again in the pickling process in a closed-loop manner. The Acid Regeneration Plant is expected to reduce acid consumption by 95% per year; whilst, the revamp of the Continuous Pickling Line which entails extensive replacement of machine and equipment would significantly extend the economic useful life of the line.

- (2) If available, Mycron intends to utilise up to RM12.66 million of the proceeds raised from the Proposed Rights Issue with Warrants to finance the working capital of its wholly-owned subsidiaries, MSCRC and MST at the proportion deemed fit in relation to their purchase of raw material coils, and credit sales financing needs. Any shortfall shall be sourced from the Company's internally-generated funds.

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. SOURCE OF FUNDING AND MANNER OF PAYMENT OF PURCHASE CONSIDERATION OF PROPOSED ACQUISITION

The sources of funding to finance the Proposed Acquisition will be entirely satisfied via combination of bank borrowings and/or internally generated funds, the proportion of which will be determined at a later date.

For illustration purposes, assuming Mycron Group pays RM2.6 million as deposit upon execution of the SPA and the balance of the Purchase Consideration amounting to RM23.4 million will be paid via a bank loan.

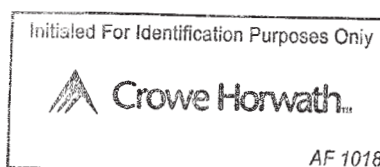
With the execution of the SPA, Mycron will pay the sum of RM1.82 million directly to MIGB as a deposit and the sum of RM0.78 million as a retention sum to Messrs Cheang and Ariff ("Stakeholder"), who shall hold the retention sum as stakeholder and forward the retention sum to the Director-General of Inland Revenue Board ("IRB") within sixty days of obtaining the approval of the state authority for the sale and transfer of the Property in favour of MST. The balance of the Purchase Consideration amounting to RM23.4 million must be paid within the completion period and subject to the provisions in the SPA.

4. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment of Mycron are as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 30 June 2017	294,514	294,514
Arising from the Proposed Rights Issue with Warrants	10,100	15,000
As per Pro Forma I and II	304,614	309,514
Arising from the Proposed Acquisition	26,000	26,000
As per Pro Forma III	330,614	335,514

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

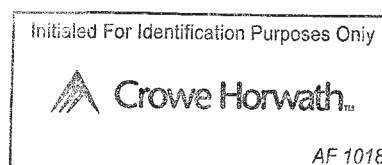
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

5. CASH AND CASH EQUIVALENTS

The movements in cash and cash equivalents of Mycron are as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 30 June 2017	64,588	64,588
Arising from the Proposed Rights Issue with Warrants	10,800	28,355
Capital expenditure	(10,100)	(15,000)
Estimated expenses related to the Proposed Rights Issue with Warrants	(700)	(700)
As per Pro Forma I	64,588	77,243
Arising from full exercise of Warrants	9,504	24,952
As per Pro Forma II	74,092	102,195
Deposit payable to MIGB	(1,820)	(1,820)
Retention sum payable to IRB held by Stakeholder	(780)	(780)
Loan to be secured to part finance the Purchase Acquisition	23,400	23,400
Balance of the Purchase Consideration payable to MIGB	(23,400)	(23,400)
Estimated expenses related to the Proposed Acquisition	(400)	(400)
As per Pro Forma III	71,092	99,195

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

6. SHARE CAPITAL

The movements in share capital of Mycron are as follows:-

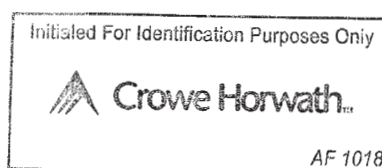
	Minimum Scenario (‘000) RM’000		Maximum Scenario (‘000) RM’000	
At 30 June 2017	283,545	206,364	283,545	206,364
Arising from the Proposed Rights Issue with Warrants	21,600	9,612	56,710	25,236
As per Pro Forma I	305,145	215,976	340,255	231,600
Arising from full exercise of Warrants	10,800	10,692	28,354	28,071
As per Pro Forma II and III	315,945	226,668	368,609	259,671

7. WARRANTS RESERVE

The movements in warrants reserve of Mycron are as follows:-

	Minimum Scenario RM’000	Maximum Scenario RM’000
At 30 June 2017	-	-
Arising from the Proposed Rights Issue with Warrants	1,188	3,119
As per Pro Forma I	1,188	3,119
Arising from full exercise of Warrants	(1,188)	(3,119)
As per Pro Forma II and III	-	-

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

8. RETAINED EARNINGS

The movements in retained earnings of Mycron are as follows:-

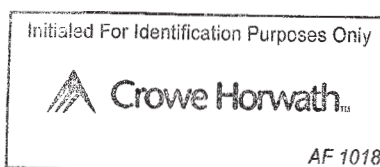
	Minimum Scenario RM'000	Maximum Scenario RM'000
At 30 June 2017	142,256	142,256
Estimated expenses related to the Proposed Rights Issue with Warrants	(700)	(700)
As per Pro Forma I and II	141,556	141,556
Estimated expenses related to the Proposed Acquisition	(400)	(400)
As per Pro Forma III	141,156	141,156

9. BORROWINGS

The movements in borrowings of Mycron are as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 30 June 2017, Pro Forma I and II	82,908	82,908
Secure a loan to part finance the Proposed Acquisition	23,400	23,400
As per Pro Forma III	106,308	106,308

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

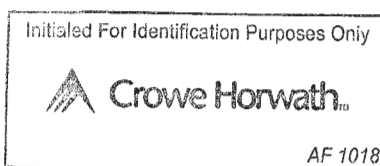
**MYCRON STEEL BERHAD (“MYCRON” OR “COMPANY”)
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

The Pro Forma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purpose only to show the effect on the audited consolidated statements of financial position of Mycron and its subsidiaries (“Group”) as at 30 June 2017. The Pro Forma should be read in conjunction with the notes accompanying the Pro Forma Consolidated Statements of Financial Position of the Group.

MINIMUM SCENARIO

		Audited Consolidated Statements of Financial Position of Mycron as at 30 June 2017	Pro Forma I After Proposed Rights Issue with Warrants	Pro Forma II After Pro Forma I and Assuming Full Exercise of the Warrants	Pro Forma III After Pro Forma I, II and Proposed Acquisition
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	294,514	304,614	304,614	330,614
Intangible assets		20,000	20,000	20,000	20,000
		314,514	324,614	324,614	350,614
CURRENT ASSETS					
Inventories		177,176	177,176	177,176	177,176
Trade and other receivables		106,249	106,249	106,249	106,249
Amount owing by ultimate holding company		263	263	263	263
Amount owing by related companies		4,860	4,860	4,860	4,860
Tax recoverable		258	258	258	258
Derivative financial assets		142	142	142	142
Cash and cash equivalents	5	64,588	64,588	74,092	71,092
		353,536	353,536	363,040	360,040
TOTAL ASSETS		668,050	678,150	687,654	710,654
EQUITY AND LIABILITIES					
EQUITY					
Share capital	6	206,364	215,976	226,668	226,668
Asset revaluation reserve		25,534	25,534	25,534	25,534
Warrants reserve	7	-	1,188	-	-
Retained earnings	8	142,256	141,556	141,556	141,156
TOTAL EQUITY		374,154	384,254	393,758	393,358

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

MINIMUM SCENARIO (CONT'D)

	Audited Consolidated Statements of Financial Position of Mycron as at 30 June 2017	Pro Forma I	Pro Forma II	Pro Forma III
Note	RM'000	After Proposed Rights Issue with Warrants RM'000	After Pro Forma I and Assuming Full Exercise of the Warrants RM'000	After Pro Forma I, II and Proposed Acquisition RM'000
NON-CURRENT LIABILITIES				
	19,758	19,758	19,758	19,758
Deferred tax liabilities	4,298	4,298	4,298	27,698
Borrowings	<u>24,056</u>	<u>24,056</u>	<u>24,056</u>	<u>47,456</u>
CURRENT LIABILITIES				
	181,469	181,469	181,469	181,469
Trade and other payables	4,000	4,000	4,000	4,000
Amount owing to ultimate holding company	1,073	1,073	1,073	1,073
Amount owing to a related company	1,651	1,651	1,651	1,651
Tax payable	3,037	3,037	3,037	3,037
Derivative financial liabilities	78,610	78,610	78,610	78,610
Borrowings	<u>269,840</u>	<u>269,840</u>	<u>269,840</u>	<u>269,840</u>
TOTAL LIABILITIES	<u>293,896</u>	<u>293,896</u>	<u>293,896</u>	<u>317,296</u>
TOTAL EQUITY AND LIABILITIES	<u>668,050</u>	<u>678,150</u>	<u>687,654</u>	<u>710,654</u>
Number of Mycron shares in issue ('000)				
6	<u>283,545</u>	<u>305,145</u>	<u>315,945</u>	<u>315,945</u>
Net assets ("NA") (RM'000)				
	<u>374,154</u>	<u>384,254</u>	<u>393,758</u>	<u>393,358</u>
NA per share (RM)				
	<u>1.32</u>	<u>1.26</u>	<u>1.25</u>	<u>1.25</u>
Total bank borrowings (RM'000)				
9	<u>82,908</u>	<u>82,908</u>	<u>82,908</u>	<u>106,308</u>
Gearing ratio (times)				
	<u>0.22</u>	<u>0.22</u>	<u>0.21</u>	<u>0.27</u>

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Initialed For Identification Purposes Only

 Crowe Horwath

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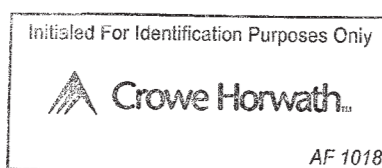
Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

MAXIMUM SCENARIO

		Audited Consolidated Statements of Financial Position of Mycron as at 30 June 2017	Pro Forma I After Proposed Rights Issue with Warrants	Pro Forma II After Pro Forma I and Assuming Full Exercise of the Warrants	Pro Forma III After Pro Forma I, II and Proposed Acquisition
Note	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
	4	294,514	309,514	309,514	335,514
		20,000	20,000	20,000	20,000
		<u>314,514</u>	<u>329,514</u>	<u>329,514</u>	<u>355,514</u>
CURRENT ASSETS					
		177,176	177,176	177,176	177,176
		106,249	106,249	106,249	106,249
		263	263	263	263
		4,860	4,860	4,860	4,860
		258	258	258	258
		142	142	142	142
	5	64,588	77,243	102,195	99,195
		<u>353,536</u>	<u>366,191</u>	<u>391,143</u>	<u>388,143</u>
		<u>668,050</u>	<u>695,705</u>	<u>720,657</u>	<u>743,657</u>
TOTAL ASSETS					
EQUITY AND LIABILITIES					
EQUITY					
	6	206,364	231,600	259,671	259,671
		25,534	25,534	25,534	25,534
	7	-	3,119	-	-
	8	142,256	141,556	141,556	141,156
		<u>374,154</u>	<u>401,809</u>	<u>426,761</u>	<u>426,361</u>
		<u>374,154</u>	<u>401,809</u>	<u>426,761</u>	<u>426,361</u>
		<u>668,050</u>	<u>695,705</u>	<u>720,657</u>	<u>743,657</u>
		<u>668,050</u>	<u>695,705</u>	<u>720,657</u>	<u>743,657</u>

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

MAXIMUM SCENARIO (CONT'D)

	Audited Consolidated Statements of Financial Position of Mycron as at 30 June 2017	Pro Forma I After Proposed Rights Issue with Warrants	Pro Forma II After Pro Forma I and Assuming Full Exercise of the Warrants	Pro Forma III After Pro Forma I, II and Proposed Acquisition
Note	RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES				
	19,758	19,758	19,758	19,758
Deferred tax liabilities	4,298	4,298	4,298	27,698
Borrowings	<u>24,056</u>	<u>24,056</u>	<u>24,056</u>	<u>47,456</u>
CURRENT LIABILITIES				
Trade and other payables	181,469	181,469	181,469	181,469
Amount owing to ultimate holding company	4,000	4,000	4,000	4,000
Amount owing to a related company	1,073	1,073	1,073	1,073
Tax payable	1,651	1,651	1,651	1,651
Derivative financial liabilities	3,037	3,037	3,037	3,037
Borrowings	<u>78,610</u>	<u>78,610</u>	<u>78,610</u>	<u>78,610</u>
	<u>269,840</u>	<u>269,840</u>	<u>269,840</u>	<u>269,840</u>
TOTAL LIABILITIES	<u>293,896</u>	<u>293,896</u>	<u>293,896</u>	<u>317,296</u>
TOTAL EQUITY AND LIABILITIES	<u>668,050</u>	<u>695,705</u>	<u>720,657</u>	<u>743,657</u>
Number of Mycron shares in issue ('000)	6 283,545	340,255	368,609	368,609
Net assets ("NA") (RM'000)	<u>374,154</u>	<u>401,809</u>	<u>426,761</u>	<u>426,361</u>
NA per share (RM)	<u>1.32</u>	<u>1.18</u>	<u>1.16</u>	<u>1.16</u>
Total bank borrowings (RM'000)	9 82,908	82,908	82,908	106,308
Gearing ratio (times)	<u>0.22</u>	<u>0.21</u>	<u>0.19</u>	<u>0.25</u>

VALUATION CERTIFICATE BY PA INTERNATIONAL



PA INTERNATIONAL
PROPERTY CONSULTANTS (KL) SDN BHD
(748916W) (V (1) 0077/5)
PA国际物业顾问(吉隆坡)有限公司

Our Ref. : KL/VAL171502

31st October 2017

Messrs. Melewar Steel Tube Sdn. Bhd., a wholly-owned subsidiary of Mycron Steel Berhad
Lot 53, Persiaran Selangor,
Seksyen 15,
40200 Shah Alam,
SELANGOR DARUL EHSAN

29A & 31A, Jalan 52/1,
Petaling Jaya New Town,
46200 Petaling Jaya,
Selangor Darul Ehsan.
☎ 03-7958 5933
☎ 03-7957 5933
✉ paki@pa.com.my
🌐 www.pa.com.my

Dear Sirs,

**RE : CERTIFICATE OF VALUATION PROPERTY HELD UNDER TITLE NO. HSD 166735, PT -
(NEW SURVEYED LOT NO. 198), TOWN OF SHAH ALAM, DISTRICT OF PETALING, STATE
OF SELANGOR
[LOT 53, PERSIARAN SELANGOR, SEKSYEN 15, 40200 SHAH ALAM, SELANGOR DARUL
EHSAN]**

Instructions

We have been instructed by Melewar Steel Tube Sdn. Bhd., a wholly-owned subsidiary of Mycron Steel Berhad to ascertain the Market Value of the remaining unexpired leasehold interest in the above-mentioned property (hereinafter referred to as the 'subject property') for the purpose of submission to Bursa Malaysia Securities Berhad in conjunction with the proposed acquisition of the subject property by Melewar Steel Tube Sdn. Bhd., a wholly-owned subsidiary of Mycron Steel Berhad from Melewar Industrial Group Berhad.

We are pleased to certify that we have conducted a formal valuation report and valued the legal interest in the subject property as at the Date of Valuation on **20th September 2017**.

This Valuation Certificate is prepared for inclusion in the Circular to shareholders of Mycron Steel Berhad in relation to the proposed acquisition of the subject property.

Valuation

The valuation report has been prepared based on the Asset Valuations Guidelines issued by the Securities Commission and professional standards prescribed by the Board of Valuers, Appraisers and Estate Agents, Malaysia. The basis of valuation for the purpose of the valuation report is **MARKET VALUE**, which as defined in the **MALAYSIAN VALUATION STANDARDS** is as follows:-

"Market Value" is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The necessary title search has been conducted at the Pejabat Tanah dan Galian Selangor in Shah Alam, Selangor Darul Ehsan.

This Certificate of Valuation is to be read in conjunction with the full Valuation Report.



Registered Valuers * Property Consultants * Property Managers * Plant & Machinery Valuers
Chairman : K. Parampathy Managing Director : Jerome Hong Boon Peng Executive Directors : A. Subramaniam, Siew Kok Kong
Directors : Ong Che Seng, Loo Cheong Fei, V. Sivasdas Associate Director : Ong May May



PA INTERNATIONAL PROPERTY CONSULTANTS SDN BHD (286279D) (V(1) 0077)

HEAD OFFICE:

Lot 8-2, Level 8, Wisma Miramas, No.1, Jalan 2/109E, Taman Desa, Jalan Klang Lama, 58100 Kuala Lumpur.

Tel: 03-7986 0816 Fax: 03-7972 7738 Email: pasb@pa.com.my Website: www.pa.com.my

OTHER OFFICES:

Johor Bahru (V (1) 0077/1) Suite 1101, 11th Floor, Johor Tower, 15, Jalan Gereja, 80100 Johor Bahru, Johor Darul Takzim. Tel: 07-2232762 Fax: 07-2241780 Email: pajb@pa.com.my / pajb@pojaring.my
Kluang (V (1) 0077/3) No. 5 & 7, First Floor, Jalan Syed Abdul Hamid Sagaff, 86000 Kluang, Johor. Tel: 07-7725168 Fax: 07-7722054 Email: pakg@pa.com.my
Batu Pahat (V (1) 0077/4) Suite 3.01, Third Floor, Wisma Chin Yong, No. 9, Jalan Ismail, 83000 Batu Pahat, Johor. Tel: 07-4336855/4324577 Fax: 07-4324575 Email: pabp@pa.com.my
Klang (V (1) 0077/6) Lot 308, Tingkat 3, Bangunan Tabung Haji, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan. Tel: 03-3341 5933 Fax: 03-3341 5733 Email: paklg@pa.com.my
Penang (V (1) 0077/7) A-1-5, Jalan Todak 4, Sunway Business Park, 13700 Prai, Penang. Tel: 04-370 4377 Fax: 04-370 4378 Email: papg@pa.com.my
Ipoh (V (1) 0077/8) No. 1B, Persiaran Greentown 5, Greentown Business Centre, 30450 Ipoh, Perak Darul Ridzuan. Tel: 05-2414 473 Fax: 05-2414 485 Email: papk@pa.com.my
Seremban (V (1) 0077/9) 55, 1st Floor, Jalan Dato Bandar Tunggal, 70000 Seremban, Negeri Sembilan Darul Khusus. Tel: 06-765 2988 Fax: 06-761 2623 Email: pasbn@pa.com.my
Kedah (V (1) 0077/10) No. 43, 1st Floor, Jalan Perdana Heights 2/2, Perdana Heights, 08000 Sungai Petani, Kedah Darul Aman. Tel: 04-424 2952 Fax: 04-424 2950 Email: pakedah@pa.com.my

REP. OFFICES:

Ho Chi Minh City: Suite 1901, 19th Floor, No.37, Ton Duc Thang Street, Ben Nghe Ward, District 01, Ho Chi Minh City, Vietnam. Tel. (+849) 32698138

Chief Resident Representative: Jerome Hong ☎:+6012-2117839 Email: jerome.hong@pa.com.my

VALUATION CERTIFICATE BY PA INTERNATIONAL (CONT'D)

**Subject Property**

The subject property comprises an industrial premises bearing the postal address of Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan and which is presently made up of a single-storey detached factory with a double-storey office annex, a free-standing three-storey office building and other ancillary buildings.

Salient details of the subject property are as follows:-

Title Particulars	Title No.	: HSD 166735
	Lot No.	: * PT -
	Town	: Bandar Shah Alam
	Locality	: Tapak Perusahaan Shah Alam
	District	: Petaling
	State	: Selangor
	Provisional Titled Land Area	: * 18,221.7776 square metres (196,144 square feet)
	Tenure	: Leasehold interest for 99 years expiring on 22 nd May 2078 - with the unexpired term of about 61 years as at the date of this Valuation
	Category of Land Use	: Perusahaan
	Express Conditions	: Perusahaan
	Restrictions In Interest	: ** Tanah ini tidak boleh dipindahmilik melainkan dengan kebenaran Pihak Berkuasa Negeri
	Registered Proprietor	: Melewar Industrial Group Berhad
	Encumbrances	: Charged to OCBC Bank (Malaysia) Berhad since 25 August 2011
	Other Endorsements	: Pindaan Cukai Tanah, vide a Presentation No. 456387/2016 registered on 25 th May 2016
	The above particulars are deemed correct as at the date of Valuation.	
Notes:	* As per the Certified Plan No. PA 10-057875 prepared by the Jabatan Ukur Dan Pemetaan Selangor Malaysia, the subject property is identified as Lot No. 198 and with a surveyed land area of 18,237 square metres. Hence, we have adopted the said surveyed land area for the purpose of this Valuation.	
	** For the purpose of this Valuation, we have assumed that such consent will not be unreasonably withheld by the state authority.	

VALUATION CERTIFICATE BY PA INTERNATIONAL (CONT'D)



Description	<u>Location</u>				
	<p>The subject property bears direct frontage onto Persiaran Selangor, an arterial road within Seksyen 15, Shah Alam, Selangor. The latter is situated about 20 kilometres to the south-west of the Petaling Jaya town centre and about 4 kilometres to the south-east of Shah Alam town centre.</p>				
	<u>Accessibility</u>				
	<p>Access to the subject property is easily available from the Federal Highway either by way of a slip road leading to Persiaran Selangor or via Bulatan Melawati, Persiaran Tengku Ampuan, Bulatan Sejahtera and thereafter onto Persiaran Selangor, the metalled frontage road. An alternative access to the subject property from Shah Alam Expressway (KESAS Highway) ie. via the Hicom/Puchong exit is by way of Persiaran Kuala Selangor, Persiaran Tengku Ampuan, Bulatan Sejahtera and thence onto Persiaran Selangor.</p>				
	<u>Site</u>				
	<p>The subject site is a plot of industrial land, regular in shape and contains a provisional land area of approximately 18,221.7776 square metres (196,144 square feet). This land area has been resurveyed to 18,237 square metres (about 196,301 square feet) as per Certified Plan No. PA 10-057875. It has a frontage width of approximately 173.78 metres onto Persiaran Selangor and a depth of up to about 108.06 metres long. Its elongated frontage onto the arterial road of Persiaran Selangor provides the subject property a good visibility exposure.</p> <p>The land is generally flat in terrain and lies about the same level as the frontage road and neighbouring lands.</p> <p>The site boundaries are generally demarcated by metal railings remounted onto low plastered brickwalls, whilst the side and rear boundaries are generally demarcated with chain link fencing and metal deck claddings. The entrance of the subject property is secured with an automatic sliding metal gate and further secured by a guard house at its exit point.</p> <p>The driveway and internal circulation areas are generally concreted and tarmacadamised upon with parking bays provided within the compound.</p>				
	<u>Building</u>				
	No.	Building	Approximate Gross Floor Area		Building Age
			square metres	square feet	
	1.	Single-storey factory with a double-storey office annex	*10,181.15	*109,589	About 26 years old
		Structure : Steel portal framework with steel stanchions, reinforced concrete flooring, metal deck claddings, partly infilled plastered, painted brickwalls and steel truss roofwork covered with metal deck roofing sheets.			
	2.	A free-standing three-storey office building	1,679.32	18,076	About 26 years old
		Structure : Reinforced concrete framework with reinforced concrete footings and with piles laid to rest, reinforced concrete flooring, infilled plastered and painted brickwalls and a reinforced concrete flat roof			
	3.	Other ancillary buildings:-			
		i) Two (2) refuse chambers	37.16	400	N/A
		ii) A pump house	23.69	255	N/A
		iii) A guard house	16.54	178	N/A
		iv) Covered carpark / motorcycle bays	139.73	1,504	N/A
	Total		12,077.59	130,002	
	<p>Note:* Excluding part of non-permissible areas as we have disregarded these portions in our computation of the Market Value.</p>				

VALUATION CERTIFICATE BY PA INTERNATIONAL (CONT'D)



	<p>We have adopted the total built-up area to be 11,169.16 square metres (about 120,224 square feet) for our computation of rental analysis purposes, as extracted from the Tenancy Agreement dated 1st May 2014.</p> <p>All buildings have been issued with the Certificate of Fitness for Occupation ("CFO").</p> <p>The subject industrial complex was in an overall fairly good state of repair and maintenance when viewed.</p>
Planning Control	The subject property is designated for industrial use as expressly stated in the title document.
Occupancy	The subject property, involving a total built-up area of 11,169.18 square metres (about 120,224 square feet) is presently tenanted to Melewar Steel Tube Sdn. Bhd., a wholly-owned subsidiary of Mycron Steel Berhad from Melewar Industrial Group Berhad, at a monthly rental of RM126,500/- commencing from 1 st May 2015 and expiring on 30 th April 2021.

Valuation Approach

We have adopted the following two valuation approaches in this valuation:-

- a) Cost Approach
- b) Income Capitalisation Approach (Investment Method)

In the **Cost Approach**, the value of the land is added to the replacement cost of the buildings and other site improvements, which has been adjusted for obsolescences and the market factor/elements inherent therein prior to this.

The land value is determined by comparing with similar lands that have been sold recently and those that are currently being offered for sale in the vicinity, with appropriate adjustments made to reflect improvements and other dissimilarities to arrive at the value of the subject land as an improved site.

The replacement cost of a building is derived from the construction cost anew of the said building based on current market prices for materials, labour and present construction techniques and deducting there from the accrued obsolescences due to wear and tear, age and obsolescence through technology and market changes, etc.

In the **Income Capitalisation Approach (Investment Method)**, the annual rental income presently received or expected to command over a period of time by the subject property is estimated and deducting therefrom the expenses or outgoings incidental to the ownership of the property to obtain the net annual rental value. This net annual income is then capitalised by an appropriate capitalisation rate or years purchase figure to adjust the income into the present capital value of the subject property.

The relevant capitalisation rate is chosen based on the investment rate of return expected from the type of property concerned after taking into consideration factors such as risk, capital appreciation, security of income, ease of sale and management of the subject property.

VALUATION CERTIFICATE BY PA INTERNATIONAL (CONT'D)



a) Cost Approach

For the land component, we have adopted the following transactions of industrial premises located in and around the subject locality as comparables for valuation, viz.:-

Comparable No.	1	2	3
Type of Property	A single-storey warehouse with a four-storey office annex with lower ground floor & rooftop	A single-storey factory with a double-storey office annex	A single-storey warehouse with a double-storey office annex
Address	Lot No. 1839, Jalan Gergaji 15/14, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan	No. 17, Persiaran Sabak Bernam, Seksyen 26, 40000 Shah Alam, Selangor Darul Ehsan	No. 10, Jalan Pelabur 23/1, Seksyen 23, 40000 Shah Alam, Selangor Darul Ehsan
Land Area	87,117 sq. ft.	104,073 sq. ft.	191,310 sq. ft.
Consideration (nett)	RM14,490,000/-	RM23,000,000/-	RM28,000,000/-
Tenure	Leasehold interest for 99 years, expiring on 12 th December 2072 (remaining about 56 years as at the date of transaction)	Freehold interest	Leasehold interest for 99 years, expiring on 30 th May 2098 (remaining about 82 years as at the date of transaction)
Vendor (s)	Kosmo Mobile Manufacture Sdn Bhd	Pacific BBA (Malaysia) Sdn Bhd	Shapadu Properties Sdn Bhd
Purchaser (s)	Quick Junction (M) Sdn Bhd	Pacific Trustee Berhad	C Plus Logistics Sdn Bhd
Date	25/11/2016	04/0/2016	23/06/2016
Category of Land Use	Perusahaan	Perusahaan	Perusahaan
Sources	Jabatan Penilaian dan Perkhidmatan Harta	Bursa Malaysia and Form 14A	Jabatan Penilaian dan Perkhidmatan Harta
Analyse Land Rate	RM113.20 per sq. ft.	RM108.46 per sq. ft.	RM121.73 per sq. ft.
Adjustments			
Adjustment	We have adjusted the above comparables for location, tenure, frontage/exposure/accessibility and land size to arrive at the rates given below		
Adjusted Land Rate	RM90.56 per sq. ft.	RM86.17 per sq. ft.	RM103.47 per sq. ft.
Based on Comparable 1	RM90.56 per sq. ft.		
Adopted Rate, say	RM91.00 per sq. ft.		

For the building component, the parameter adopted as follows:-

Item	Rate Adopted	Justification
Building Cost	<p>Factory with office annex and office building, - RM120/- per square foot (MFA), RM55/- per square foot (AFA)</p> <p>Refuse chamber and pump house & guard house - RM80/- per square foot (MFA), RM40/- per square foot (AFA)</p> <p>Refuse chamber (open-sided) - RM50/- per square foot (MFA)</p> <p>Car porch bays / motorcycle shed - RM50/- per square foot (AFA)</p>	Based on Davis Langdon & Seah Construction Handbook Malaysia 2017, construction cost for industrial premises is estimated at RM120 psf to RM180 psf. Which we deemed to reflect the current local construction industry aptly after taking into consideration the building condition of the property.
Depreciation	45% for all building premises	The buildings are about 26 years old as per CFOs dated 22 nd January 1991 and 12 th August 1991, but in a maintained state of existence when viewed.

Note: MFA-Main Floor Area, AFA-Ancillary Floor Area

VALUATION CERTIFICATE BY PA INTERNATIONAL (CONT'D)



Having considered the above, Market Value of the subject property (using cost approach) as per its current state of existence and condition is derived at RM26,076,100.74 or say at RM26,000,000/-.

b) Income Capitalisation Approach (Investment Method)

The parameters adopted in this method are described as follows:-

Parameters	Justification
Rental Rate	<p><u>Current Term</u> Term 1 - RM1.05 per sq. ft.</p> <p>Based on the agreed rate as stated in the letter of new rental rates for renewal term dated 1st April 2015.</p> <p>We noted the current passing rental appears on the low side comparing to the market rental as the tenant and the landlord are of related party.</p> <p><u>Reversionary Term</u> Our investigations revealed that the current asking/passing rentals of industrial properties located in Sections 15, 16, 23 and 32 of Shah Alam are ranging from RM1.40 per square foot to RM2.40 per square foot. In this valuation, we have adopted RM1.60 per sq. ft. per month as being fair and reasonable after making necessary adjustments for the location and size factors.</p>
Outgoings	<p>We have arrived the outgoings rate of RM0.18 per sq. ft., which is about 18% of the gross annual rental, based on the actual outgoings i.e. assessment, quit rent, insurance and 5% from the gross annual rental for the repair and maintenance. Hence, we have adopted about 18% of the outgoings in the Current Term and Reversionary Term.</p>
Capitalisation Rate (Yield)	<p>Our analysis indicates that the fair rate of capitalization for the subject property shall be at 6.00% + 3% (sinking fund) per annum for the current term and 6.50% + 3% (sinking fund) per annum for the reversionary period, deemed as fair for the purpose of this valuation.</p> <p>The analysed yields based on actual transaction of the industrial properties in Klang Valley range between 5.02% and 8.20%.</p>
Void	<p>We have considered a 5% allowance for void to be fair and reasonable for the subject property as the industrial premises thereon is a properly-erected entity. Moreover, the property is located within a well-sought after industrial locale.</p>

Having accounted for the above, Market Value of the subject property (using Investment Method) as per its current state of existence and condition, is RM23,500,000/-

VALUATION CERTIFICATE BY PA INTERNATIONAL (CONT'D)**Reconciliation of Values**

From our deliberations, we arrived at the following market values for the subject property:-


Cost Approach	-	RM26,000,000/-
Income Capitalisation Approach (Investment Method)	-	RM23,500,000/-

For the purpose of this valuation, we have adopted the Market Value of **RM26,000,000/-** via the Cost Approach as the market value arrived at via the Investment Approach is premised on rentals that are set below rack levels due to the old state of the buildings & has been tenanted from related party ie. Melewar Industrial Group Berhad and thus not reflecting the highest and the best value of the property.

Conclusion

Having carried out all necessary investigations and with due consideration for all factors affecting value, we are of the opinion that the present Market Value of the remaining unexpired leasehold interest as at the date of this Valuation for the subject property, held under Title No. HSD 166735, PT - (New Surveyed Lot No. 198), Town of Shah Alam, District of Petaling, State of Selangor, together with the buildings and improvements erected thereon and bearing the postal address of Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan, in its existing condition, free from all encumbrances and with vacant possession, as at 20th September 2017, is **RM26,000,000/- (RINGGIT MALAYSIA: TWENTY SIX MILLION ONLY)**.

Yours faithfully
for and on behalf of
PA INTERNATIONAL
PROPERTY CONSULTANTS (KL) SDN.BHD.


Sr SUBRAMANIAM A/L ARUMUGAM, FRISM, MRICS, MPEPS
Chartered Valuation Surveyor
Registered Valuer (V-450)
SUB/Ema

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually 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 other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST**2.1 TA Securities**

TA Securities, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its 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.

As at the LPD, TA Securities is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser to Mycron for the Proposals.

2.2 Reporting Accountants

Messrs, Crowe Horwath, being the Reporting Accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name in relation to the Proposals, the pro forma consolidated statements of financial position as at 30 June 2017 together with the reporting accountant's letter thereon as appended in Appendix I and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, Crowe Horwath is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Reporting Accountants to Mycron for the Proposals.

2.3 Independent Adviser

KAF IB, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, KAF IB is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Independent Adviser to Mycron for the Proposed Acquisition.

2.4 Valuer

PA International, being the Valuer for the Proposed Acquisition, 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.

As at the LPD, PA International is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Valuer to Mycron for the Proposed Acquisition.

3. MATERIAL COMMITMENTS

As at the LPD, there are no material commitments incurred by the Group which upon becoming enforceable, may have a material impact on the financial position of the Company and the Group, respectively.

FURTHER INFORMATION (CONT'D)

4. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities incurred by the Group which upon becoming enforceable, may have a material impact on the financial position of the Company and the Group, respectively.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

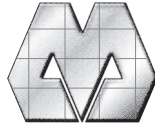
As at the LPD, Mycron Group is not engaged in any other material litigation, claims and/or arbitration either as a plaintiff or defendant, which may have a material effect on the financial position or business of the Group and the Board is not aware of any proceeding, pending or threatened against Mycron Group, or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at Suite 12.03, 12th Floor No. 566 Jalan Ipoh, 51200 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to the date of the forthcoming EGM: -

- a) the Constitution of Mycron;
- b) the SPA;
- c) Valuation Certificate and Valuation Report;
- d) the audited consolidated financial statements of Mycron for FYE 30 June 2016 and 30 June 2017 as well as the latest six (6)-month unaudited consolidated financial statements of Mycron for the financial period ended 31 December 2017;
- e) the consent letters referred to in Section 2 of Appendix III of this Circular;
- f) the draft Deed Poll constituting the Warrants;
- g) proforma consolidated statement of financial position of Mycron as at 30 June 2017 together with the Reporting Accountants' letter thereon as set out in Appendix I of this Circular; and
- h) the written irrevocable undertaking by MIGB pursuant to the Revised Undertaking.

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MYCRON STEEL BERHAD

(Company No. 622819-D)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of Mycron Steel Berhad (“**Mycron**” or “**Company**”) will be held at Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Friday, 20 April 2018 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing with or without modifications the following ordinary resolutions:-

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 56,709,091 SHARES IN MYCRON (“MYCRON SHARES”) (“RIGHTS SHARE(S)”) ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) MYCRON SHARES HELD, TOGETHER WITH UP TO 28,354,546 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)

“**THAT**, subject to and conditional upon the approvals of all relevant authorities and/or parties being obtained (if required), approval be and is hereby given to the Board of Directors of Mycron (“**Board**”) to:-

- (a) provisionally allot and issue by way of a renounceable rights issue of up to 56,709,091 Rights Shares on the basis of one (1) Rights Share for every five (5) existing Mycron Shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board (“**Entitlement Date**”) (“**Entitled Shareholders**”), together with up to 28,354,546 Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed, at an issue price to be determined later to the Entitled Shareholders and/or their renounee(s). The Rights Shares shall upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid up Mycron Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares;
- (b) determine and fix the issue price of the Rights Shares at a later date, after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration, amongst others, the historical share price movement of Mycron;
- (c) determine the final exercise price of the Warrants after taking into consideration the theoretical ex-rights price (“**TERP**”) of Mycron Shares, based on the five (5)-day volume weighted average market price (“**5D-VWAMP**”) of Mycron Shares, with a discount to the TERP deemed appropriate by the Board prior to the price fixing date to be determined later by the Board;
- (d) allot and issue such number of Mycron Shares upon full payment arising from any exercise by the holders of the Warrants of their rights in accordance with the provisions of the deed poll constituting the Warrants to be executed by the Company (“**Deed Poll**”) and such new Mycron Shares shall upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid up Mycron Shares, save and except that such new Mycron Shares will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment of the new Mycron Shares to be issued pursuant to the exercise of the Warrants;
- (e) disregard and deal with fractional entitlements of the Rights Shares and/or Warrants, if any, in such manner and on such terms and conditions as the Board in its absolute discretion deem fit or expedient or in the best interest of the Company;
- (f) make available for excess shares application to the Entitled Shareholders and/or their renounee(s) who have applied for the excess Rights Shares with Warrants, in the event there are any Rights Shares with Warrants which are not taken up or not validly taken up, and such excess

Rights Shares with Warrants will be allocated in a fair and equitable manner on a basis to be determined by the Board;

- (g) utilise the proceeds from the Proposed Rights Issue with Warrants for such purposes and in such manner as set out in Section 2.7, Part A of the Circular to Shareholders of the Company dated 5 April 2018 (“**Circular**”) and the Board be authorised to revise the purpose and manner of the utilisation of proceeds as it may deem fit or expedient or in the best interest of the Company, subject to the approval of the relevant authorities, (where required);
- (h) execute, sign and enter into the Deed Poll with full powers to assent to any condition, variation, modification and/or amendment from time to time, in accordance with and subject to the terms of the Deed Poll and in any manner as may be required by the relevant authorities or deemed necessary by the Board, and with full powers to implement and give effect to the terms and conditions of the Deed Poll and in the best interest of the Company; and
- (i) issue and allot such additional Warrants and adjust from time to time the exercise price of the Warrants as may be required or permitted to be issued/adjusted as a consequence of the adjustments under the provisions of the Deed Poll, and issue and allot such additional number of Mycron Shares arising from any exercise of the additional Warrants and such new Mycron Shares shall upon allotment and issuance, rank *pari passu* in all respects with the then existing Mycron Shares, save and except that the new Mycron Shares will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment of the new Mycron Shares to be issued pursuant to the exercise of such additional Warrants;

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitation, the affixing of the Company’s common seal) as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed Rights Issue with Warrants and with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors may deem necessary or expedient in the best interest of the Company.”

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION OF A PIECE OF LEASEHOLD LAND KNOWN AS LOT 53, PERSIARAN SELANGOR, SEKSYEN 15, 40200 SHAH ALAM, SELANGOR AND HELD UNDER TITLE NO. HSD 166735 BANDAR SHAH ALAM, DAERAH PETALING, NEGERI SELANGOR, TOGETHER WITH BUILDINGS ERECTED THEREON (“PROPERTY”) BY MELEWAR STEEL TUBE SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MYCRON STEEL BERHAD FROM MELEWAR INDUSTRIAL GROUP BERHAD FOR A TOTAL PURCHASE CONSIDERATION OF RM26.0 MILLION (“PROPOSED ACQUISITION”)

“**THAT**, subject to all relevant approvals being obtained from the relevant authorities or parties, if any, approval be and is hereby given to Melewar Steel Tube Sdn Bhd, a wholly-owned subsidiary of Mycron, to acquire the Property, for a total consideration of RM26,000,000.00 in accordance with the terms and conditions as set out in the sale and purchase agreement dated 20 November 2017 between Melewar Industrial Group Berhad and Melewar Steel Tube Sdn Bhd in relation to the Proposed Acquisition.

AND THAT the Directors of the Company be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign and deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitation, the affixing of the Company’s common seal) as may be necessary or expedient or appropriate in order to implement, finalise, give effect and/or complete the Proposed Acquisition and with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors may deem necessary or expedient in the best interest of the Company.”

BY ORDER OF THE BOARD

LILY YIN KAM MAY (MAICSA 0878038)
Company Secretary

Kuala Lumpur
5 April 2018

Notes: -

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint more than one (1) proxy to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.*
4. *Where a member 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.*
5. *The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the form of proxy must be initialled.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 16th April 2018. Only a depositor whose name appears on the Record of Depositors as at 16th April 2018 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*

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NOTICE

There will be no distribution of door gifts and food voucher for this EGM

**MYCRON STEEL BERHAD**

(Company No: 622819-D)

(Incorporated in Malaysia)

Form of Proxy

CDS Account No.	No. of Shares held

* I/We _____

* NRIC/Passport/Company No. _____ Mobile Phone No. : _____

Address : _____

being a member of **MYCRON STEEL BERHAD** ("Mycron") hereby appoint: -

1. Name of Proxy : _____ NRIC No. : _____

Address : _____

_____ No. of Shares Represented : _____

* and/or failing *him/her,

2. Name of Proxy : _____ NRIC No. : _____

Address : _____

_____ No. of Shares Represented : _____

or failing *him/her, the Chairman of the meeting as *my/our Proxy to vote for *me/our behalf at the Extraordinary General Meeting of Mycron to be held at Crystal Function Room, 4th Floor, Mutiara Complex, 3½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Friday, 20 April 2018 at 11.00 a.m. or at any adjournment thereof. My/our proxy is to vote as indicated below:-

ORDINARY RESOLUTIONS	FIRST PROXY		SECOND PROXY	
	FOR	AGAINST	FOR	AGAINST
1. Proposed Rights Issue with Warrants				
2. Proposed Acquisition				

Please indicate the manner in which you wish your vote to be cast with an "X" in the appropriate space above. If no specific instruction as to voting is given, the proxy shall vote or abstain from voting at his/her discretion.

Signed this _____ day of _____ 2018.

Signature of Shareholder(s) /Common Seal**Notes: -**

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
MYCRON STEEL BERHAD
Suite 12.03, 12th Floor
No.566 Jalan Ipoh
51200 Kuala Lumpur

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