

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

- PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

1. INTRODUCTION

On behalf of the Board of Directors of Mycron (“**Board**”), TA Securities Holdings Berhad (“**TA Securities**”) wishes to announce that the Company proposes to undertake a 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 of Shares with Warrants**”).

Further details of the Proposed Rights Issue of Shares with Warrants are set out in Section 2 below.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

The Proposed Rights Issue of Shares 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) Right Share for every five (5) existing Mycron Shares together with one (1) Warrant for every two (2) Right Shares subscribed by 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**”).

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 entitlements for the Rights Shares with Warrants are renounceable in full or in part. However, the Rights Shares and Warrants cannot be renounced separately. Should the Entitled Shareholders renounce all of their Rights Shares entitlements under the Proposed Rights Issue of Shares 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 of Shares with Warrants, they shall be entitled to the Warrants in proportion of their acceptances of the Rights Shares entitlements.

In determining the shareholders’ entitlements to the Warrants under the Proposed Rights Issue of Shares with Warrants, fractional entitlements, if any, will be dealt with by the Board in such manner at 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 Malaysia Securities Berhad (“**Bursa Securities**”). The Warrants will be issued in registered form and constituted by a deed poll to be executed by the Company (“**Deed Poll**”).

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

The Board has fixed the issue price of the Rights Shares at RM0.50 per Rights Share. This was arrived at, after taking into consideration the following: -

- (i) the minimum amount to be raised from the Proposed Rights Issue of Shares with Warrants of approximately RM10.80 million which will be channeled towards the proposed utilisation of proceeds as set out in Section 2.7 of this announcement; and
- (ii) a discount of approximately RM0.2512 or 33.44% to the theoretical ex-rights price (“**TERP**”) of Mycron Shares of RM0.7512, based on the five (5)-day volume weighted average price (“**5D-VWAP**”) of Mycron Shares, up to and including 23 August 2017, being the latest practicable date prior to this announcement (“**LPD**”), of RM0.8014.

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

The Warrants attached to the Rights Share 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-VWAP 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 announcement, the Board has yet to determine the range of premium/discount to be applied to the TERP of Mycron Shares.

For the purpose of this announcement, the indicative exercise price of the Warrants is assumed to be RM0.88 and is at a premium of approximately RM0.1288 or 17.15% to the TERP of RM0.7512, based on the 5D-VWAP of Mycron Shares up to and including the LPD of RM0.8014.

2.3 Major shareholder’s undertaking

The Proposed Rights Issue of Shares with Warrants will be implemented on a minimum subscription basis, with a minimum subscription level of 21,600,000 Rights Shares together with 10,800,000 Warrants (“**Minimum Subscription Level**”), for gross proceeds of approximately RM10.80 million at the 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 and its subsidiary companies (collectively “**Mycron Group**” or the “**Group**”) as set out in Section 2.7 of this announcement.

To meet the Minimum Subscription Level, Mycron has procured a written irrevocable undertaking dated the same date as this announcement from its major shareholder namely Melewar Industrial Group Berhad (“**MIGB**”) (“**Undertaking Party**”) that it will subscribe for not less than 21,600,000 Rights Shares as set out in the table below so as to meet the Minimum Subscription Level and also that it will not dispose of any of its Mycron Shares following this announcement up to the Entitlement Date (“**Undertaking**”).

Undertaking Party	Shareholdings as at the LPD		Minimum Rights Shares to be subscribed pursuant to the Undertaking
	No. of Mycron Shares	%	
MIGB	202,050,221	71.26	21,600,000

MIGB will be released from the 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 Undertaking impossible for thirty (30) consecutive days.

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

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

Notwithstanding the 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 of Shares with Warrants shall only be implemented upon the successful implementation of MIGB's proposed rights issue of shares with warrants ("**MIGB's Proposed Rights Issue**") in view that the Undertaking is subject to MIGB's Proposed Rights Issue. *(Kindly refer to MIGB's announcement dated 23 August 2017 for further details of MIGB's Proposed Rights Issue).*

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 shall 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

An application will be made to Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities as well as the listing of and quotation for the Rights Shares, Warrants and new Mycron Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.

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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 of Shares with Warrants. |
| Form and denomination | : | The Warrants will be issued in registered form and constituted by a 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 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 new Mycron Shares arising from the exercise of the Warrants on the Main Market of Bursa Securities. |
| Tradability and board lot | : | The Warrants are tradeable upon listing and for purposes of trading on Bursa Securities, one (1) board lot of Warrants shall comprise of 100 Warrants carrying rights 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 attached thereto any rights to acquire or subscribe for new shares, the Company must appoint the 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 liquidation 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 issue price of RM0.50 per Rights Share, the Proposed Rights Issue of Shares with Warrants will raise between approximately RM10.80 million and RM28.36 million based on the following scenarios, with the following intended utilisation: -

Minimum Scenario : **Assuming the Minimum Subscription Level**

Maximum Scenario : **Assuming all Entitled Shareholders fully subscribe for their entitlements to the Rights Shares with Warrants**

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 of Shares with Warrants ⁽³⁾	Within 1 months	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 of Shares with Warrants to partially finance its wholly-owned subsidiary Mycron Steel CRC Sdn Bhd's ("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 of Shares with Warrants to finance the working capital of its wholly-owned subsidiaries, MSCRC and Melewar Steel Tube Sdn Bhd ("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 consist of professional fees, fees payable to the relevant authorities, expenses to convene the extraordinary general meeting ("EGM") and other ancillary expenses. Any surplus or shortfall for the estimated expenses in relation to the Proposed Rights Issue of Shares 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 of Shares with Warrants are dependent on the subscription level of the Proposed Rights Issue of Shares with Warrants. Any variation in 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 the Mycron Group, with the timing and breakdown to be determined at a later date.

3. RATIONALE OF THE PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

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

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

- (i) enables the 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 the 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. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a stronger growth of 5.8% in the second quarter of 2017 (1Q 2017: 5.6%). Private sector spending continued to be the main driver of growth. On the external front, growth was further supported by the robust expansion in real exports of goods and services (9.6%; 1Q 2017: 9.8%) following strong demand for manufactured and commodity products. Real imports moderated slightly to 10.7% (1Q 2017: 12.9%) following more moderate expansion in investment. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.3% (1Q 2017: 1.8%).

Given the continued strong performance in the second quarter of 2017, the Malaysian economy recorded a strong growth of 5.7% in first half of 2017. At this point, compared to the beginning of the year, there are considerable improvements in the operating environment of the economy. Looking ahead, it is likely for the Malaysian economy to expand by more than 4.8% for the whole year of 2017. Leading indicators such as the Department of Statistics Malaysia's composite leading index, MIER Business Conditions Index and MIER Consumer Sentiments Index, suggest continued expansion of the domestic economy. Private consumption will be underpinned by

continued wage and employment growth, with support from various policy measures to raise disposable income. Investments will be driven by the implementation of new and ongoing infrastructure projects, and higher capacity expansion in the manufacturing and services sectors. The stabilisation of commodity prices is also expected to lend support to investments in the mining sector. On the external front, exports are expected to benefit from the improvement in global growth, especially among Malaysia's key trading partners. Overall, the economy is expected to record a stronger growth in 2017.

On the supply side, the improvement in both external and domestic demand conditions will benefit the manufacturing and services sectors. The agriculture sector's growth will be underpinned by a recovery in CPO yields post-El Niño. Growth in the mining sector is projected to be mainly supported by output from the ramping up of production in new gas facilities. In the construction sector, new and existing civil engineering projects will drive the sector going forward.

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

Given the nation's strong economic fundamentals coupled with the 2017 Budget strategies and programmes, the economy is expected to expand between 4% and 5% in 2017. The expansion translates into gross national income per capita growth of 5% from RM37,812 to RM39,699. On the demand side, growth will emanate from domestic demand, particularly private consumption and private investment expenditures which are expected to expand 6.3% and 5.8%, respectively. In tandem with higher investment activities, the savings-investment gap is expected to narrow to 0.5% – 1.5% of gross national income (2016: 1% – 1.5%). Inflation will remain manageable, while the economy continues to operate under full employment. All sectors of the economy are expected to contribute to growth, with the services and manufacturing sectors spearheading the expansion.

(Source: Economic Report 2016/2017, Ministry of Finance Malaysia)

4.2 Overview and outlook of the steel industry in Malaysia

According to World Steel, the annual global steel consumption is currently 1.5 billion metric tons. Steel consumption of this tonnage is still predominantly in ASIA which accounts for 65% of the global consumption. ASIA as a region, has a large population, and the forecast for steel demand in this region for 2017 is 959 million metric tons compared to the 968 million metric tons in 2016. In the ASEAN region, the steel consumption is expected to maintain a positive growth rate of 6% despite the exposure to China in light of the infrastructural construction activities and is expected to reach 74.6 million metric tons in 2017.

The steel consumption in Malaysia was on a slight positive growth momentum in 2016, and was expected to hit 10.4 million metric ton due to the better than expected forecast for China, along with continued growth in emerging economies. However, the domestic iron and steel industry environment remains challenging as it is manifestly affected by structural and cyclical fluctuations of the national and global economy. The growth momentum in 2017 is expected to remain weak reflecting continued import penetration, high cost of domestic production, and quality of human capital.

Even though the steel consumption of Malaysia is at 10.4 million metric ton in 2016, approximately half of domestic steel consumption was met by supply from other countries especially China. This has caused many of the domestic iron and steel mills to operate at only half their production capacity. One of the reasons that has caused the increase in imported steel products is that the cost of domestic iron and steel production is much greater than that of iron and steel mills in Asia. The domestic supply of steel products is not cost-competitive compared to import steel products especially that from China. The most important reason for the high cost is related to raw materials for the iron and steel industry. Despite rich resources of iron ore and coal in Malaysia,

very little is consumed in the iron and steel industry. The domestic reserves of iron ore mines are mostly mined on a commercial basis. Due to the demand and existing off-take agreement, most of the iron ore deposits are extracted and exported to China instead of consumed locally. Consequently, domestic iron and steel mills are compelled to use metal scrap as source for iron units. The domestic reserves of coal is not suitable for use in iron-making and steelmaking and as a result is set aside for power generation. As for the human capital issue, the major barrier for the iron and steel industry to achieve competitiveness and sustainability in the long term is simply in sufficient skilled workers across many disciplines from technical specialists to non-technical specialists.

Despite many and varied challenges that exist, there are many significant opportunities for the Malaysia iron and steel industry in the next few years to increase their competitiveness and succeed in the dynamic environment. The Malaysia iron and steel industry shall continue to improve and increase its efficiency, reduce costs, improve quality, and develop higher grades of steel products to meet the needs and expectations of the consumer. Such developments will enhance the competitiveness and result in a reduction in import penetration from other countries. Apart from competitiveness, Malaysia's iron and steel industry will be able to reinforce sustainability by continuously moving forward to consolidate the iron and steel industry through various means but not limited to mergers, acquisitions and joint ventures with local or foreign partners. This consolidation will result in improved efficiency, reduced costs, and an improvement in quality, a higher grade of product innovation and development, and a wider export market opportunity. With the right restructuring and reform in this industry, the domestic supply of steel products may improve from the current 60% to 70% of the total domestic steel consumption, and also see an improvement in the supply of higher grades of steel products to the market.

(Source: Malaysia Steel Institute: The Steel Advocate – No. 4/December 2016)

Malaysia maintained its single digit moderate growth rate of 2.6% year-on-year to 10.3 million tonnes in 2016. Malaysia's flat steel demand in 2016 grew strongly by 17.9% year-on-year to 4.2 million tonnes. On the other hand, long steel demand dropped by 6% year-on-year to 6 million tonnes. Hot rolled flat steel production in the country was less than 300,000 tonnes a year in 2016, resulting in a huge increase in flat steel import from 3.9 million tonnes in 2015 to 4.7 million tonnes in 2016. Export dropped significantly, by 33% year-on-year, to 808,258 tonnes in the same year. Despite the drop in consumption, domestic production for long steel registered a positive growth rate of 4.3% year-on-year in 2016. Import, on the other hand, declined significantly, by 15% year-on-year to 2.8 million tonnes. Export rose by 12% year-on-year to 255,192 tonnes in 2016.

(Source: South East Asia Iron and Steel Institute – Newsletter June 2017)

4.3 Prospects of the Mycron Group

The Group's steel businesses in the mid-stream Cold Rolled Coil and Steel Tube manufacturing are expected to continue to contribute positively to shareholders barring any significant unforeseen events to the steel market. 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 despite the soft economic outlook. 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)

5. EFFECTS OF THE PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS

5.1 Issued and paid-up share capital

The pro forma effects of the Proposed Rights Issue of Shares 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	70,886	283,545	70,886
To be issued pursuant to the Proposed Rights Issue of Shares with Warrants	21,600	10,800	56,709	28,355
	305,145	81,686	340,254	99,241
To be issued pursuant to the full exercise of the Warrants	10,800	9,504*	28,355	24,952*
Enlarged issued and paid-up share capital	315,945	91,190	368,609	124,193

Note: -

* *Based on the indicative exercise price of the Warrants of RM0.88.*

5.2 Substantial Shareholders' Shareholdings

The pro forma effects of the Proposed Rights Issue of Shares with Warrants on the shareholdings of the substantial shareholders of Mycron as at the LPD are set out at the next page.

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(i) **Minimum Scenario**

Names	As at the LPD				(I) After the Proposed Rights Issue of Shares 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	-	-
Melewar Equities (BVI) Ltd (“MEL”) (deemed indirect interest)	-	-	202,050,221	71.26 ⁽¹⁾	-	-	223,650,221	73.29 ⁽¹⁾
Melewar Khyra Sdn Bhd (“MKSB”) (deemed indirect interest)	-	-	202,050,221	71.26 ⁽¹⁾	-	-	223,650,221	73.29 ⁽¹⁾
Tunku Dato’ Yaacob Khyra (“TDYK”) (deemed indirect interest)	-	-	202,102,521	71.28 ⁽²⁾	-	-	223,702,521	73.31 ⁽²⁾
Khyra Legacy Berhad (“KLB”) (deemed indirect interest)	-	-	202,050,221	71.26 ⁽³⁾	-	-	223,650,221	73.29 ⁽³⁾

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 (deemed indirect interest)	-	-	234,450,221	74.21 ⁽¹⁾
MKSB (deemed indirect interest)	-	-	234,450,221	74.21 ⁽¹⁾
TDYK (deemed indirect interest)	-	-	234,502,521	74.22 ⁽²⁾
KLB (deemed indirect interest)	-	-	234,450,221	74.21 ⁽³⁾

Notes: -

* The Board takes cognisance that in the event MIGB subscribe in full to the Rights Issue with Warrants pursuant to its entitlement and assuming full conversion of all Warrants, Mycron would not meet the public spread requirement of 25% pursuant to paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities. The Board would be mindful of the said public spread requirement as and when it exercises its Warrants and would, if necessary, propose to place out such number of Mycron Shares to meet the public spread requirement.

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

(2) Deemed interested 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) Deemed interested 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 of Shares 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 (deemed indirect interest)	-	-	202,050,221	71.26 ⁽¹⁾	-	-	242,460,265	71.26 ⁽¹⁾
MKSB (deemed indirect interest)	-	-	202,050,221	71.26 ⁽¹⁾	-	-	242,460,265	71.26 ⁽¹⁾
TDYK (deemed indirect interest)	-	-	202,102,521	71.28 ⁽²⁾	-	-	242,523,025	71.28 ⁽²⁾
KLB (deemed indirect interest)	-	-	202,050,221	71.26 ⁽³⁾	-	-	242,460,265	71.26 ⁽³⁾

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 (deemed indirect interest)	-	-	262,665,287	71.26 ⁽¹⁾
MKSB (deemed indirect interest)	-	-	262,665,287	71.26 ⁽¹⁾
TDYK (deemed indirect interest)	-	-	262,733,277	71.28 ⁽²⁾
KLB (deemed indirect interest)	-	-	262,665,287	71.26 ⁽³⁾

Notes: -

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

5.3 Net Assets (“NA”) & Gearing

Based on the latest audited consolidated balance sheet of Mycron as at 30 June 2016 and on the assumption that the Proposed Rights Issue of Shares with Warrants had been effected on that date, the proforma effects of the Proposed Rights Issue of Shares with Warrants on the consolidated NA, NA per share and gearing of the Group are set out below: -

(i) Minimum Scenario

	Audited as at 30 June 2016 RM'000	Subsequent events up to LPD ⁽¹⁾ RM'000	(I) After the Proposed Rights Issue of Shares with Warrants RM'000	(II) After (I) and assuming full exercise of the Warrants RM'000
Share capital	70,886	206,355	215,103 ⁽²⁾	226,659 ⁽⁵⁾
Non-distributable capital reserve	115,754	-	-	-
Share Premium	19,100	-	-	-
Asset revaluation reserve	22,545	22,545	22,545	22,545
Treasury shares	(359)	-	-	-
Warrants reserves	-	-	2,052 ⁽³⁾	-
Retained earnings	107,513	107,513	106,813 ⁽⁴⁾	106,813
Shareholders' funds/NA	335,439	336,413	346,513	356,017
No. of Mycron Shares in issue ('000)	283,545	283,545	305,145	315,945
NA per share (RM)	1.18	1.19	1.14	1.13
Total borrowings ^(a)	91,580	91,580	91,580	91,580
Gearing (times)	0.27	0.27	0.26	0.26

Notes: -

(a) Comprising all bank borrowings.

(1) Adjusted for the disposal of 1,000,000 treasury shares from 20 September 2016 to 28 April 2017, netting a total gain of RM614,440.35. This gain has been classified back into Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act.

The new Act which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and similar non-distributable reserves become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act.

(2) Arising from the issuance of 21,600,000 Rights Shares pursuant to the Proposed Rights Issue of Shares with Warrants.

(3) Arising from the issuance of Warrants pursuant to the Proposed Rights Issue of Shares with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.19 based on the Black-Scholes option pricing model as extracted from Bloomberg based on the assumed exercise price of RM0.88 each, one (1)-year volatility rate of the underlying Mycron Shares of 27.58% and 5D-VWAP of Mycron Shares up to and including the LPD.

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

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

(ii) Maximum Scenario

	Audited as at 30 June 2016 RM'000	Subsequent events up to LPD ⁽¹⁾ RM'000	(I) After the Proposed Rights Issue of Shares with Warrants RM'000	(II) After (I) and assuming full exercise of the Warrants RM'000
Share capital	70,886	206,355	229,323 ⁽²⁾	259,662 ⁽⁵⁾
Non-distributable capital reserve	115,754	-	-	-
Share Premium	19,100	-	-	-
Asset revaluation reserve	22,545	22,545	22,545	22,545
Treasury shares	(359)	-	-	-
Warrants reserves	-	-	5,387 ⁽³⁾	-
Retained earnings	107,513	107,513	106,813 ⁽⁴⁾	106,813
Shareholders' funds/NA	335,439	336,413	364,068	389,020
No. of Mycron Shares in issue ('000)	283,545	283,545	340,254	368,609
NA per share (RM)	1.18	1.19	1.07	1.06
Total borrowings ^(a)	91,580	91,580	91,580	91,580
Gearing (times)	0.27	0.27	0.25	0.24

Notes: -

(a) Comprising all bank borrowings.

(1) Adjusted for the disposal of 1,000,000 treasury shares from 20 September 2016 to 28 April 2017, netting a total gain of RM614,440.35. This gain has been classified back into Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act.

The new Act which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and similar non-distributable capital reserve become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act.

(2) Arising from the issuance of 56,709,091 Rights Shares pursuant to the Proposed Rights Issue of Shares with Warrants.

(3) Arising from the issuance of Warrants pursuant to the Proposed Rights Issue of Shares with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.19 based on the Black-Scholes option pricing model as extracted from Bloomberg based on the assumed exercise price of RM0.88 each, one (1)-year volatility rate of the underlying Mycron Shares of 27.58% and 5D-VWAP of Mycron Shares up to and including the LPD.

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

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

5.4 Earnings and Earnings per share ("EPS")

The Proposed Rights Issue of Shares with Warrants is not expected to have any material effect on Mycron's consolidated earnings for the financial year ending 30 June 2017. However, the Proposed Rights Issue of Shares with Warrants is expected to contribute positively to the future earnings of the Mycron Group when the benefits of the utilisation of proceeds are realised.

The EPS of the 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.

5.5 Convertible securities

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

6. APPROVALS REQUIRED

The Proposed Rights Issue of Shares with Warrants is subject to and conditional upon approvals being obtained from the following: -

- (a) Bursa Securities for the:
 - (i) listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
 - (ii) admission of the Warrants to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Warrants on the Main Market of Bursa Securities; and
 - (iii) listing of and quotation for the new Mycron Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities;
- (b) approval of the shareholders of Mycron at an extraordinary general meeting to be convened for the Proposed Rights Issue of Shares with Warrants; and
- (c) any other relevant authorities and/or parties, if required.

The Proposed Rights Issue of Shares with Warrants is not conditional upon any other corporate proposals announced by the Company.

However, the Proposed Rights Issue of Shares with Warrants shall only be implemented upon the successful implementation of MIGB's Proposed Rights Issue in view that the Undertaking is subject to the successful implementation of MIGB's Proposed Rights Issue. *(Kindly refer to MIGB's announcement dated 23 August 2017 for further details of MIGB's Proposed Rights Issue).*

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

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 of Shares with Warrants, apart from their respective entitlements as shareholders, if any, which is the same as all the other shareholders of the Company.

8. DIRECTORS' STATEMENT

The Board having considered all aspects of the Proposed Rights Issue of Shares with Warrants including the rationale and justification as well as the effects and utilisation of proceeds in connection with the Proposed Rights Issue of Shares with Warrants, is of the opinion that the Proposed Rights Issue of Shares with Warrants is in the best interest of the Company.

9. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities for the Proposed Rights Issue of Shares with Warrants will be made within 2 months from the date of this announcement.

10. ADVISER

TA Securities has been appointed as Principal Adviser of the Company for the Proposed Rights Issue of Shares with Warrants.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Rights Issue of Shares with Warrants to be completed in the first (1st) quarter of the calendar year 2018.

This announcement is dated 23 August 2017.