MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")

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")

1. INTRODUCTION

On behalf of the Board of Directors of Mycron ("**Board**"), TA Securities Holdings Berhad ("**TA Securities**") is pleased to announce that Melewar Steel Tube Sdn. Bhd. ("**MST**" or "**Purchaser**"), 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**" or "**Vendor**") 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.

The Proposed Acquisition is deemed a related party transaction pursuant to the provisions under paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Main Market LR**"), further details of which are set out in Section 10 of this announcement.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 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 20 November 2017, being the latest practicable date prior to the date of this announcement ("**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.

Its associated company is principally involved in investment holdings.

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	%
Tunku Dato' Yaacob Khyra ("**TDYK**") (Deemed indirect interest)	-	-	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	-	-	-	-
Dato' Indera Naresh Mohan	-	-	-	-

Note: -

*(a) Deemed interested by virtue of TDYK being a beneficiary of a trust known as Khyra Legacy Berhad ("**KLB**"), being the holding company of Melewar Equities (BVI) Ltd ("**MEL**") and Melewar Khyra Sdn Bhd ("**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	%	No. of shares in MIGB	%
MEL	60,379,733	26.8	-	-
MKSB	22,001,499	9.8	-	-
KLB (Deemed indirect interest)	-	-	82,381,232	[(a)]36.5
TDYK (Deemed indirect interest)	-	-	82,381,232	[(b)]36.5

Notes: -

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

(b) 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.

2.2 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 Title Particulars	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 square feet)*
Gross floor area (sq. metre)	Approximately 12,078 *(approximately 130,002 square feet)*

Details	
Tenure/Expiry date	Leasehold interest for 99 years, expiring on 22nd May 2078
Age of the building	Approximately 26 years old
Existing use/proposed use	Factory cum office building
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 and Income Capitalisation Approach

Note: -

* *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.*

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 unto 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.

2.3 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 Messrs PA International Property Consultants (KL) Sdn Bhd ("**Valuer**") vide its valuation report dated 31 October 2017 ("**Valuation Report**") 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.

2.4 Salient terms of the SPA

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

2.4.1. 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 2.4.3 below.

2.4.2. 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 ("**Loan**") from a bank or other licensed financial institution ("**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) the approval of the state authority for the sale and transfer of the Property in favour of MST ("**State Authority Consent**") shall have been obtained;

(e) the existing charge to OCBC Bank (Malaysia) Berhad vide presentation number 87825/2011("**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 a period of nine (9) months from the date of the SPA ("**Condition Period**"), the Vendor and the Purchaser may mutually agree in writing to such extended period or periods ("**Extended Condition Period**") 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 2.4.7 shall apply.

2.4.3. Manner of Payment of Purchase Consideration

(a) Simultaneously with the execution of the SPA, the Purchaser will pay the sum of Ringgit Malaysia Two Million Six Hundred Thousand (RM2,600,000.00) ("**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 Messsr Cheang and Ariff ("**Purchaser's Solicitors**" or "**Stakeholder**"), 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 2.4.6 or 2.4.7 shall occur, in which case such accrued interest shall be for the account of the Purchaser.

(b) The balance of the Purchase Consideration amounting to a sum of Ringgit Malaysia Twenty Three Million Four Hundred Thousand (RM23,400,000) ("**Balance Purchase Price**") will be paid in the following manner: -

(i) The Balance Purchase Price and 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 ("**Interest**") (if applicable) must be paid by the Purchaser to the Stakeholder in accordance with Section 2.4.3(c) not later than the Last Day in exchange for the relevant documents to be deposited by the Vendor ("**Said Documents**") 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.

The "**Last Day**" means the last day of the Completion Period (as defined below) or the last day of the Extended Completion Period (as defined below) (if applicable) and within which the Balance Purchase Price and Interest, if applicable, must be paid subject to the provisions in the SPA.

(ii) In the event the Purchaser fails to pay the Balance Purchase Price upon expiry of three (3) months from the date the last of the Conditions Precedent is fulfilled or waived ("**Completion Period**"), the 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 ("**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 a valid and registrable instrument of transfer in respect of the Property duly executed by the Vendor in favour of the Purchaser ("**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.

2.4.4. 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 date of full payment of the Balance Purchase Price together with Interest (if any) to the Stakeholder in accordance with Section 2.4.3(b) on or before the Last Day ("**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**.**

2.4.5. 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 2.4.5(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.

2.4.6. 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.

2.4.7 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 2.4.7 (b).

(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.

2.4.8 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 (1^{st}) 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 2.4.5, 2.4.6 or 2.4.7 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.

2.5 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

2.6 Source of Funding

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

2.7 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 and its subsidiaries ("**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.

3. RATIONALE FOR THE 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 the Group with operational cost savings and the Group will not be subject to the risk of rental increases each time the tenancy expires.

4. OUTLOOK AND PROSPECTS

4.1 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 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)

4.3 Prospect 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 capitalizing 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. RISKS IN RELATION TO THE PROPOSED ACQUISITION

5.1 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 7 of this announcement. 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, our Board will take reasonable steps to ensure that the conditions precedents 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.

5.2 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.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital and shareholdings of the substantial shareholders

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of Mycron as the Purchase Consideration does not involve any issuance of new shares of Mycron.

6.2 Net assets ("NA") and Gearing

The Proposed Acquisition is not expected to have a material impact on the NA of Mycron Group for the financial year ending 30 June 2018.

As the Purchase Consideration is to be satisfied by a combination of bank borrowings and internally-generated funds, the gearing of Mycron Group is expected to increase in tandem with the portion financed by bank borrowings.

For illustration purposes, assuming that Mycron Group secures the Loan of up to 90% of the Purchase Consideration, the gearing level of Mycron Group for the financial year ended 30 June 2017 would increase from 0.22 times to 0.28 times.

6.3 Earnings and earnings per share

The Proposed Acquisition is not expected to have any material effect on the earnings and earnings per share of Mycron for the financial year ending 30 June 2018.

Barring any unforeseen circumstances and the amount of the Loan to be obtained by MST for the Proposed Acquisition, the Proposed Acquisition is expected to contribute positively to the 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.

6.4 Convertible securities

As at the LPD, the Company does not have any convertible securities.

7. APPROVALS REQUIRED

The Proposed Acquisition is subject to the approvals being obtained from the following: -

(a) The non-interested shareholders of Mycron at an extraordinary general meeting ("**EGM**") to be convened;

(b) State Authority Consent; and

(c) Any other relevant regulatory/authorities or parties, if required.

8. INTER-CONDITIONALITY OF THE PRPOSED ACQUISTION

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

9. HIGHEST PERCENTAGE RATIO APPLICABLE

Based on the latest audited financial statements for financial year ended 30 June 2017, the highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market LR is 6.95%, being the aggregate value of the Purchase Consideration over the NA of Mycron Group.

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

Save for the interested parties as 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 Proposed Acquisition: -

10.1 Interested Directors

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; and

(b) Azlan bin Abdullah is the Executive Director/ Group Chief Executive Officer of Mycron and is a shareholder of Mycron holding 100,000 shares in Mycron as at the LPD. He is also the Managing Director/ Group Chief Executive Officer of MIGB and is a shareholder of MIGB holding 133,333 shares in MIGB as at the LPD.

(collectively referred to as "**Interested Directors**").

Accordingly and in compliance with Paragraph 10.08(6) of the Main Market LR, 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 EGM of the Company to be convened.

10.2 Interested Substantial/Major Shareholders

The following substantial/major shareholders of Mycron are deemed interested in the Proposed Acquisition by virtue of the following: -

(a) MIGB is the substantial/major shareholder of Mycron by virtue of its 71.26% direct shareholdings in Mycron as at the LPD;

(b) MKSB is the substantial/major shareholder of Mycron by virtue of its 9.8% direct shareholdings in MIGB, the major shareholder of Mycron;

(c) MEL is the substantial/major shareholder of Mycron by virtue of its 26.8% direct shareholdings in MIGB, the major shareholder of Mycron;

(d) KLB is the holding company of MEL and MKSB who are the substantial/major shareholders of MIGB, the major shareholder of Mycron; and

(e) 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 major/substantial shareholders of MIGB, a major shareholder of Mycron.

(collectively referred to as "**Interested Major Shareholders**").

Accordingly and in compliance with Paragraph 10.08(7) of the Main Market LR, 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 EGM of the Company to be convened.

11 ADVISERS

TA Securities has been appointed as the Principal Adviser for the Proposed Acquisition.

In view of the interests of the Interested Directors and Interested Major Shareholders as set out in the preceding Section 10 of this announcement, the Proposed Acquisition is deemed a related party transaction pursuant to Chapter 10 of the Main Market LR. As such, in accordance with Paragraph 10.08(2) of the Main Market LR, KAF Investment Bank Berhad has been appointed by the Company as the Independent Adviser ("**IA**") in respect of the Proposed Acquisition to: -

(a) Comment as to: -

   (i) Whether the Proposed Acquisition is fair and reasonable in so far as the non-interested directors and shareholders of Mycron are concerned;

   (ii) Whether the Proposed Acquisition is to the detriment of the non-interested directors and shareholders of Mycron;

   and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(b) Advise the non-interested shareholders of Mycron whether they should vote in favour of the Proposed Acquisition; and

(c) Take all reasonable steps to satisfy itself that it has reasonable basis to make the comments and advice in subsections (a) and (b) above.

12 DIRECTORS' STATEMENT

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

13 AUDIT COMMITTEE'S STATEMENT

The Audit Committee is of the opinion that the Proposed Acquisition is: -

(a) in the best interest of the Company;

(b) fair, reasonable and on normal commercial terms; and

(c) not detrimental to the interest of the non-interested shareholders of the Company.

In forming its views, the Audit Committee had taken into consideration, amongst others, the following: -

(i) the rationale of the Proposed Acquisition as set out in Section 3 of this announcement;

(ii) the basis of and justification for arriving at the Purchase Consideration as set out in Section 2.3 of this announcement;

(iii) salient terms of the SPA; and

(iv) the preliminary opinion of the IA.

14 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 and its subsidiaries ("**MIGB Group**") for the 12 months preceding the date of this announcement: -

	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	2,785,978
Sales of pipes by Mycron Group to MIGB Group	10,392

15 OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION

As at the date of the announcement, save for the proposed rights issue with warrants which was announced to Bursa Securities on 23 August 2017, there are no outstanding proposals announced by Mycron but pending completion.

16 ESTIMATED TIME FRAME FOR COMPLETION

Subject to the fulfilment of the Conditions Precedent, the Proposed Acquisition is expected to be completed by the 1st half of 2018.

17 APPLICATIONS TO RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application for the Proposed Acquisition to Bursa Securities and the relevant authorities is expected to be submitted within two (2) months from the date of this announcement.

18 DOCUMENTS FOR INSPECTION

The SPA and the Valuation Report 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) for a period of three (3) months from the date of this announcement.

This Announcement is dated 20 November 2017.