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## 6. INFORMATION ON KINSTEEL GROUP

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### 6.1 HISTORY AND BUSINESS

Kinsteel was incorporated in Malaysia under the Act on 3 January 1991 as a private limited company under the name of Kin Kee Steel Sdn. Bhd. On 21 April 1997, the name of the Company was changed to Kinsteel Sdn Bhd. The Company was subsequently converted into a public limited company and adopted its present name on 25 April 1997.

The Kinsteel Group, was set up in 1991 and is presently controlled by Kin Kee. The Kin Kee group of companies was founded in 1964 by the late Mr. Hong Kim Kee, a business trader in scrap metal and used hardware. In 1967, Dato' Pheng Yin Huah took over the Kin Kee group of companies from his late father and progressively built the steel business of the group from the collection of scrap iron to the manufacture and trading of steel products.

Today, Kinsteel is principally involved in the manufacture and trading of iron, steel bars and related products and investment holding. Its subsidiaries are principally involved in the trading of iron, steel bars and related steel products and property investment holding.

The Kinsteel Group is currently managed by Dato' Pheng Yin Huah, who has more than 30 years of experience in the steel industry. The second generation of the family are currently being trained collectively with professionals employed and are actively involved in key operational areas of steel production and marketing to ensure a smooth transition of business in the future.

### 6.2 FLOTATION SCHEME

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of Kinsteel on the Main Board of the KLSE, the Company undertook a restructuring exercise, which was approved by the SC on 24 January 2002, 8 July 2002 and 3 September 2002, MITI on 7 December 2000 and 18 June 2002 and FIC on 13 October 2000 and 18 June 2002, involving the following:

(i) **Conversion of Preference Shares**

Conversion of 4,800,003 RCPS of RM1.00 each into 1,714,287 Kinsteel Shares credited as fully paid at RM2.80 per RCPS for 1 new Kinsteel Share and 2,571,433 SRCPS of RM1.00 each into 2,571,433 Kinsteel Shares credited as fully paid-up at RM1.00 per SRCPS for 1 new Kinsteel Share.

The Conversion of Preference Shares was completed on 30 August 2002.

(ii) **Bonus Issue**

Bonus issue of 28,502,841 new Kinsteel Shares credited as fully paid-up on the basis of approximately 1,326 new Kinsteel Shares for every 1,000 existing Kinsteel Shares held after the Conversion of Preference Shares by capitalising RM3,085,716 from the share premium account and RM25,417,125 from the retained earnings account.

The Bonus Issue was completed on 4 September 2002.

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**6. INFORMATION ON KINSTEEL GROUP (Cont'd)**

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**(iii) Offer for Sale and Public Issue**

Pursuant to this Prospectus, an initial public offering of Kinsteel Shares will be undertaken as follows:

- (a) the Offerors will offer for sale 5,100,000 Offer Shares to Bumiputera investors approved by MITI at an offer price of RM1.80 per Kinsteel Share; and
- (b) Kinsteel will undertake a public issue of 10,000,000 Issue Shares at an issue price of RM1.80 per Kinsteel Share, which will be allocated in the following manner:

- **Eligible Directors, employees and customers of Kinsteel Group**

3,000,000 Issue Shares will be reserved for eligible Directors, employees and customers of Kinsteel Group;

- **Private Placement**

5,000,000 Issue Shares will be placed with Malaysian investors by the Placement Agent, of which at least 30% is to be placed, to the extent possible, to Bumiputera investors; and

- **Malaysian public**

2,000,000 Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(iv) Listing**

Kinsteel will seek admission to the Official List and the listing of and quotation for its entire enlarged issued and paid-up share capital of Kinsteel of RM60,000,000 comprising 60,000,000 Kinsteel Shares on the Main Board of the KLSE.

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## 6. INFORMATION ON KINSTEEL GROUP (Cont'd)

### 6.3 SHARE CAPITAL

The present authorised share capital of Kinsteel is RM100,000,000 comprising 100,000,000 Kinsteel Shares. The present issued and paid-up share capital of Kinsteel is RM50,000,000 comprising 50,000,000 Kinsteel Shares.

The changes in the issued and paid-up share capital of Kinsteel since its incorporation are as follows:

Date of Allotment / Conversion	No. of shares allotted / converted	Par Value RM	Consideration	Cumulative Issued And Paid-up Share Capital RM
03.01.1991	3	1.00	Subscribers' shares	3
26.04.1991	1,000,000	1.00	Cash	1,000,003
12.04.1993	800,000	1.00	Cash	1,800,003
15.11.1993	3,000,000	1.00	Cash	4,800,003
13.12.1994	7,200,004	1.00	Cash (partly paid-up to the extent of RM0.50 per share)	8,400,005
07.04.1997	5,211,432	1.00	Bonus Issue (4 for 5)	13,611,437
-	-	1.00	Cash (balance of partly paid-up 7,200,004 ordinary shares allotted on 13.12.1994 at RM0.50 per share)	17,211,439
30.08.2002	1,714,287	1.00	Conversion of 4,800,003 RCPS at RM2.80 RCPS for 1 Kinsteel Share	18,925,726
30.08.2002	2,571,433	1.00	Conversion of 2,571,433 SRCPS at RM1.00 SRCPS for 1 Kinsteel Share	21,497,159
04.09.2002	28,502,841	1.00	Bonus Issue (1,326 for 1,000)	50,000,000

### 6.4 BUSINESS OVERVIEW

#### (i) Steel products

Kinsteel produces mild steel round bars, high tensile deformed bars, angle bars and flat bars servicing, in particular, the construction and infrastructure industries. These steel bars and sections manufactured by Kinsteel are also known generically as 'long products'. Further, Kinsteel also trades iron ores on an ad-hoc basis.

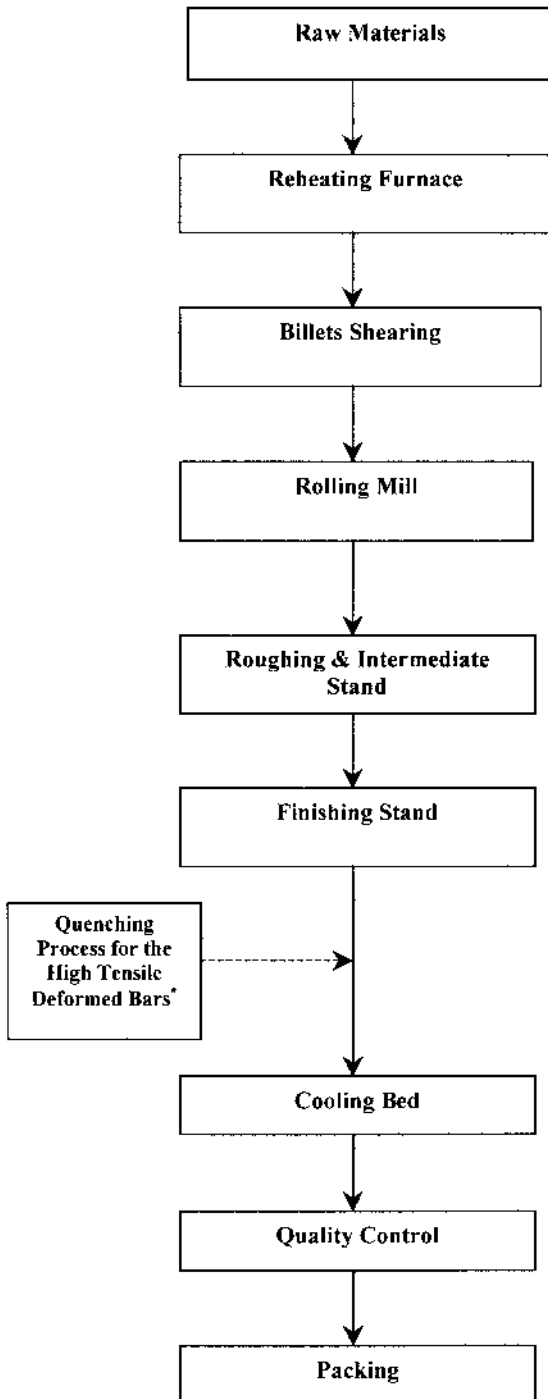
Round and deformed bars are primarily used in the construction of concrete structures such as the structures of buildings and infrastructure projects (eg. bridges and dams). Round bars are also widely used in light structural construction as well as in the manufacturing of secondary long products such as bolts, nuts, nails, cables, shafting bars and welding electrodes. Flat bars and angle bars are generally used for the construction of factories, warehouse building and fences.

In 2001, Kinsteel expanded its existing range of products by manufacturing U-channel bars. U-channel bars are mainly used for fabrication works in the manufacturing, construction, warehouse building and infrastructure sectors.

## 6. INFORMATION ON KINSTEEL GROUP (Cont'd)

### (ii) Production process

The main production process in the manufacture of steel bars is illustrated below:



Billets, the raw material required for production of steel bars are procured and tested for quality.

The billets are heated in a pre-heated furnace at approximately 900°C - 1200°C.

The billets are cut into their required length and subsequently transferred to the rolling mill.

The rolling mill is divided into 3 stages:

- Roughing stand;
- Intermediate stand; and
- Finishing stand.

Steel rollers are used to apply pressure to shape the hot billets into their required size and shape.

The semi-finished steel bar is passed through the finishing stand to form the required shape of the final product.

The steel bars are sent for cooling on the cooling bed.

The steel bars will be selected randomly for testing.

The steel bars are cut into their required sizes and packed prior to storing in the warehouse.

Note:

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*In addition to the above production process, the high tensile deformed bars has to be passed through a special water cooling system known as a quenching system whereby non-alloy elements of steel bars are quenched to attain high yield strength.*

## 6. INFORMATION ON KINSTEEL GROUP (Cont'd)

### (iii) Production facilities and capacity

Kinsteel's production plant, which consists of 7 steel mills is located in Gebeng Industrial Estate, Kuantan, Pahang and has a built-up area of approximately 465,010 square feet. The first steel mill commenced commercial operations in December 1991 to manufacture steel bars and had a production capacity of 15,000 mt per annum. As the operations of the steel mill stabilised and began to grow, the following expansion/upgrading were implemented to expand its production output:

Year	Capacity
1992	Installed second steel mill with a production capacity of 15,000 mt per annum
1995	Installed third steel mill with a production capacity of 42,000 mt per annum
1997	Installed fourth steel mill with a production capacity of 43,000 mt per annum
1998	Installed fifth and sixth steel mills with the production capacities of 85,000 mt and 150,000 mt per annum respectively
2000	Installed seventh steel mill with a production capacity of 150,000 mt per annum
2001	Expansion and upgrading of the seventh steel mill to manufacture U-channel bars

Each steel mill consists of a single rolling mill which has the flexibility to produce a wide range of steel bars of various sizes and lengths. The steel mills are currently running on one to two shifts. The total production capacity for steel bars is approximately 500,000 mt per annum and the production output for the financial year ended 31 December 2001 was approximately 200,000 mt.

The Company's steel mills undergo annual scheduled preventive maintenance and rehabilitation work to sustain equipment reliability, lengthen equipment service life and prevent unscheduled equipment breakdowns which could result in the loss of operating days and decreased production. Due to regular and comprehensive implementation of its maintenance programme, the Company believes that its equipment and machinery are in good operating condition. The Company keeps an inventory of spare parts which it believes to be critical to its operations.

### (iv) Raw materials

Kinsteel is highly dependent on steel billets as a source of raw materials. The cost of steel billets constitutes approximately 80% of Kinsteel's total cost of production. The price of steel billets in Malaysia is controlled by MITI where ceiling prices on the sale of billets have been imposed by MITI. Based on the experience of the management of Kinsteel, MITI had discontinued issuing permits since March 1999 for the import of steel billets and consequently, all steel billets has to be sourced locally. However, MITI allows the import of steel billets of certain sizes (ranging between 80mm to 200mm) which are not manufactured and/or are short of supply locally, on a case-by-case basis.

Presently, the billets used by Kinsteel are sourced locally as well as imported. For the 4-month period ended 30 April 2002, approximately 76% of the billets used were sourced locally and the remaining 24% were imported from Russia. The local and imported market price of the steel billets purchased by Kinsteel ranged between RM680 – RM800 per mt.

To-date, Kinsteel has not encountered any shortage in the supply of steel billets as there are 6 billets producers in Malaysia. Further, Kinsteel currently is able to obtain import permits from the MITI to import steel billets of certain sizes which are not available locally. There are generally no conditions attached to the import permits issued by the MITI for the import of steel billets and these import permits are generally valid for a period of approximately 3 - 4 months.

## 6. INFORMATION ON KINSTEEL GROUP *(Cont'd)*

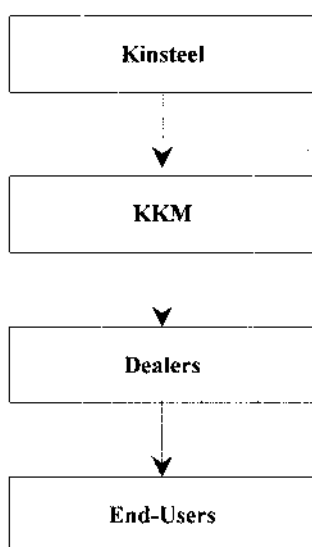
### (v) Principal markets and market share

Kinsteel Group's products are sold throughout Malaysia. The Group's total turnover in 2001 was derived entirely from the domestic market. In 2001, approximately 96% of the Group's sales consisted of sales in Peninsular Malaysia and the remaining 4% to East Malaysia. Further, approximately 30% of the Group's turnover in 2001 was derived from the state of Pahang Darul Makmur.

The Directors of Kinsteel estimate that at present, Kinsteel's market share is approximately 10% - 15% of the total round bars, deformed bars, U-channel bars and angle bars market in Malaysia. The Directors of Kinsteel is confident of at least maintaining the current estimated market share in the near future as the Group possesses the necessary production capacity as well as marketing and distribution network to make further in-roads in the domestic steel market.

### (vi) Marketing and distribution network

Kinsteel has market access to the end-users of its steel products via its sole distributor, KKM which is responsible for the marketing and distribution activities of Kinsteel. KKM, a wholly owned subsidiary of Kinsteel, has built up an extensive distribution network of long established customers of more than 200 dealers, comprising reputable hardware dealers and trading companies, spread over cities/towns throughout Malaysia as illustrated below:



KKM does not enter into long-term sales contracts with its customers as it is a common industry practice to enter into short-term sales contracts due to the generic nature of steel products.

The Kinsteel Group has adopted the following strategies for its marketing plan:

- (a) Provide quality customer service in terms of prompt and on time delivery and low defective rate upon delivery of steel bars to its customers.
- (b) Maintain close and good relationship with customers. Complaints from any customers are attended to promptly to ensure customer satisfaction.
- (c) Increase the numbers of sales personnel and sales outlet to service existing and future market demand.
- (d) Improve the quality of its products based on market feedback from customers.

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**6. INFORMATION ON KINSTEEL GROUP (Cont'd)**

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**(vii) Product quality and accreditation**

The Kinsteel Group's products are manufactured under proper control procedures at various points of the production process. From the receipt of billets, production of steel bars to the delivery of steel bars to its customers, random checks are implemented to ensure that the customers get the required quality.

A testament to the quality of Kinsteel's products is reflected in the SIRIM certification which the Company has obtained for its hot rolled steel bars for reinforcement concrete - MS:146:2000 (Deformed bars - Grade 460 & 500) and MS 146:2000 (Round bars - Grade 250) on 7 December 2001 and 23 March 2002 respectively.

Further, on 17 August 1998, Kinsteel was awarded the ISO 9002 certification by Bureau Veritas Quality International of United Kingdom, Australia and United States of America, for its Quality Management Systems in the manufacture of hot rolled steel bars. The ISO 9002 accreditation promotes recognition of the quality of the Group's steel bars. The Directors of Kinsteel believe the ISO 9002 certification provides a competitive edge to Kinsteel's products compared to other steel bar manufacturers who do not have the ISO 9002 certification.

**(viii) Research and development ("R&D")**

Generally, Malaysia is still weak in the areas of indigenous technology and R&D in the steel industry. There is currently no specific R&D centre that caters to the needs of the steel industry and such facilities in local universities and other government agencies or corporate institutes have not been fully explored.

The Group does not have a formal R&D division for its steel operations as the nature of steel products has not changed over the years and it is not commercially viable for an organisation the size of Kinsteel Group to set up its own R&D division with a dedicated team of R&D personnel. However, the Group is periodically reviewing its production processes to improve product quality and production efficiency. Further, the Group maintains a careful watch on the general steel industry, including the development of new innovations, processes or other technology and is prepared to implement changes if it believes that it is necessary to maintain or improve its market share.

**(ix) Major customers**

The steel bars manufactured by Kinsteel are sold exclusively to KKM and upon orders from KKM's customers. KKM in turn markets the steel bars at a fixed margin of 1% above the selling price of Kinsteel's steel bars and has through the years in which it has been in operations, built up a wide customer base throughout Malaysia of more than 200 dealers with recurring purchases. Approximately 37% of these dealers have been with the Group for more than 5 years.

With the wide customer base, the Kinsteel Group does not have any major customers which contributes more than 10% to the Group's turnover except for Allied Jaya Sdn Bhd. Approximately 37.6% of the Group's turnover for the 4-month period ended 30 April 2002 was attributable to sales to Allied Jaya Sdn Bhd, which has been KKM's distributor for the past 4 years.

## 6. INFORMATION ON KINSTEEL GROUP (Cont'd)

### (x) Major suppliers

For the 4-month period ended 30 April 2002, the Group's supply of billets were sourced from the following suppliers:

	Length of relationship (Years)	Percentage of billets supplied (%)
<b>Local Suppliers</b>		
Perwaja Steel Sdn Bhd	6	36.9
Southern Steel Berhad	3	22.5
Amsteel Mills Sdn Bhd	3	17.0
<b>Foreign Supplier</b>		
Leman Commodities SA	5	23.6

The Group has not encountered any problems in purchasing steel billets to-date. The Group is not dependent on any of the suppliers for its supply of steel billets and would be able to purchase steel billets from other local and/or foreign suppliers at anytime.

### (xi) Licences

The business of Kinsteel is dependent on the maintenance of various manufacturing licence issued by MITI. The maintenance of the manufacturing licences is subject to Kinsteel complying with the conditions stipulated by MITI as set out below:

Date of issuance	Type of Licence	Equity and Export Conditions	Status of compliance
a. 28.2.1999 <sup>1</sup>	Manufacturing licence for flat bar, angle bar, high tensile deformed bar, mild steel round bar, U-channel and square bar.	The entire shares of the Company must be in the hands of Malaysian with a minimum of 30% reserved.	Note 3
		Shares held by non-Malaysian cannot be sold without prior written consent from the MITI.	Note 4
		At least 50% of Kinsteel's production is to be exported.	Note 5
b. 28.2.1999 <sup>2</sup>	Manufacturing licence for steel billets.	Same equity and export conditions as (a) above.	Same as (a) above
c. 25.9.1998	Manufacturing licence for flat bar, deformed bar and square bar.	At least 50% of Kinsteel's additional production of deformed bars is to be exported.	Note 5
d. 25.9.1998	Manufacturing licence for deformed bar, flat bar and angle bar.	Same equity conditions as (a) above and same export condition as (c) above.	Same as (a) and (c) above

Notes:

<sup>1</sup> The manufacturing licence was issued by MITI to Kinsteel on 24 September 1992 but was cancelled and replaced with the manufacturing licence dated 28 February 1999 subsequent to the Company's change of name.



**6. INFORMATION ON KINSTEEL GROUP (Cont'd)**

2. *The manufacturing licence was issued by MITI to Kinsteel on 24 May 1997 but was cancelled and replaced with the manufacturing licence dated 28 February 1999 subsequent to the Company's change of name.*
3. *MITI has, vide its letter dated 7 December 2000, amended this condition in all Kinsteel's manufacturing licences to at least 70% Kinsteel Shares must be purchased and held by Malaysian with at least 30% reserved. Kinsteel is required to consult the MITI on the allocation of the 30% reserved shares.*
4. *MITI has, vide its letter dated 7 December 2000, cancelled this condition in all Kinsteel's manufacturing licences.*
5. *MITI has, vide its letter dated 6 September 2001, granted Kinsteel a grace period until 31 December 2003 for Kinsteel to comply with the 50% export condition.*

As stated above, the exemption granted by MITI for Kinsteel to comply with the 50% export condition will expire in 31 December 2003. With the liberalisation of trading environment under the AFTA regime, the Directors of Kinsteel are of the view that the Kinsteel Group would be able to meet the 50% export condition after year 2003 as the implementation of AFTA will open new opportunities for the export steel bars while at the same time facilitate the competitive sourcing of raw materials. With the initiation of the Common Effective Preferential Tariff scheme under AFTA, tariff on goods traded within the region, which meet a 40% Asean content requirement, will be reduced to 0 – 5% by the year 2003.

**(xii) Interruption in the Operations**

The Group did not experience any disruption in business having significant effect on its business or operations for the past twelve (12) months prior to the date of this Prospectus.

**(xiii) Environmental concerns**

The main waste product arising from the manufacture of steel bars is referred to as 'scales' which can be used for landscaping and for resurfacing of roads. Kinsteel has not encountered any problems in disposing its waste products and has regular buyers for 'scales'. Kinsteel currently complies with the Environmental Quality Act 1974 and Environment Quality (Clean Air) Regulations 1978, and has obtained all the necessary approvals from the Pahang State Department of Environment for all of its equipment necessary for pollution control.

**(xiv) Employees**

As at 1 September 2002, the Kinsteel Group has a workforce of 446 employees. The Group's employees are generally segregated into the following categories:

Categories	Average years of service	No. of employees
Top management	7	17
Supervisor	7	49
Skilled and general workers	3	380

As human resources is a valuable asset of the Group, the Group takes a serious stand on its human resources development. Internal courses and external courses are arranged from time to time to train the employees. The on-going training and development programmes cover functional, management development and soft skills courses for all level of employees.

The employees of Kinsteel Group do not belong to any labour union. Kinsteel has not experienced any stoppages in its operation due to labour dispute and maintains a harmonious relationship with all its employees.

## 6. INFORMATION ON KINSTEEL GROUP (Cont'd)

### 6.5 SUBSIDIARY COMPANIES

As at the date of this Prospectus, the subsidiary companies of Kinsteel, all of which are incorporated in Malaysia, are as follows:

Name	Date of incorporation	Issued and paid-up capital RM	Effective Interest %	Principal Activities
KKM	13.10.1989	1,000,000	100	Trading in iron, steel bars and related products
Harvard	29.10.1996	1,000,002	100	Property investment

Kinsteel does not have any associated company as at the date of this Prospectus.

Further details of the subsidiary companies of Kinsteel are as follows:

#### (i) KKM

##### (a) History and business

KKM was incorporated in Malaysia on 13 October 1989 under the Act as a private limited company under the name of Pusat Pemborong Ikan Pengkalan Kuantan Sdn Bhd. The company remained dormant until it was acquired by Kinsteel and changed its name to KKM on 1 July 1993. The company is principally involved in the trading of iron, steel bars and related products.

##### (b) Share capital

The present authorised share capital of KKM is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of KKM since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value RM	Consideration	Cumulative Issued And Paid-up Share Capital RM
13.10.1989	3	1.00	Subscribers' shares	3
24.06.1998	999,997	1.00	Cash	1,000,000

##### (c) Subsidiary and associated companies

KKM does not have any subsidiary and associated company.

## 6. INFORMATION ON KINSTEEL GROUP (Cont'd)

### (d) Profit and dividend record

The financial track record of KKM for the five (5) financial years ended 31 December 2001 and the 4-month period ended 30 April 2002 is as follows:

	Financial year ended 31 December					4-month period ended 30 April 2002
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	RM'000
Turnover	107,255	140,360	225,620	220,356	270,902	106,873
Profit before taxation	262	157	1,262	895	1,307	821
Taxation	(88)	(76)	(4)	(294)	(388)	(239)
Profit after taxation	174	81	1,258	601	919	582
Weighted average no. of shares in issue	3	500,000	1,000,000	1,000,000	1,000,000	1,000,000
Gross EPS (RM)	87,333	0.31	1.26	0.90	1.31	0.82
Net EPS (RM)	58,000	0.16	1.26	0.60	0.92	0.58
Gross dividend rate (%)	-	-	-	-	-	-

Note:

1. There were no exceptional and extraordinary items during the financial years/period under review.

### (ii) Harvard

#### (a) History and business

Harvard was incorporated in Malaysia on 29 October 1996 under the Act as a private limited company. The company is principally a property investment company. At present, the only investment held by Harvard is a piece of land located in the Gebeng Industrial Estate, Kuantan. Details of the land is set out in Section 10 of this Prospectus.

#### (b) Share capital

The present authorised share capital of Harvard is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM1,000,002 comprising 1,000,002 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of Harvard since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value RM	Consideration	Cumulative Issued And Paid-up Share Capital RM
29.10.1996	2	1.00	Subscribers' shares	2
28.02.1997	1,000,000	1.00	Cash	1,000,002

## 6. INFORMATION ON KINSTEEL GROUP *(Cont'd)*

### (c) Subsidiary and associated companies

Harvard does not have any subsidiary and associated company.

### (d) Profit and dividend record

The financial track record of Harvard for the period from 29 October 1996 (being the date of incorporation) to 31 December 1997, the four (4) financial years ended 31 December 2001 and the 4-month period ended 30 April 2002 is as follows:

	From the date of its incorporation to 31 December 1997	Financial year ended 31 December				4-month period ended 30 April 2002
	RM	1998 RM	1999 RM	2000 RM	2001 RM	RM
Turnover	240,000	960,000	960,000	960,000	960,000	320,000
Profit before taxation	(191,133)	(290,290)	144,604	288,704	390,156	156,895
Taxation	(432)	-	-	(112,807)	(141,381)	(54,615)
Profit after taxation	(191,565)	(290,290)	144,604	175,897	248,775	102,280
Weighted average no. of shares in issue	833,335	1,000,002	1,000,002	1,000,002	1,000,002	1,000,002
Gross EPS (RM)	(0.23)	(0.29)	0.14	0.29	0.39	0.16
Net EPS (RM)	(0.23)	(0.29)	0.14	0.18	0.25	0.10
Gross dividend rate (%)	-	-	-	-	-	-

*Note:*

1. *The turnover during the financial year/period under review consists of rental income.*
2. *There were no exceptional and extraordinary items during the financial years/period under review.*

## 6.6 FUTURE PLANS

The Directors of Kinsteel plan to further strengthen the Group's presence in the steel industry by transforming Kinsteel into an integrated steel manufacturer through diversification into upstream activities. The Directors of Kinsteel expect that with the liberal trading environment under the AFTA regime, the Malaysian steel industry would have to be more cost competitive in order to compete with the foreign steel producers.

In view of the need to lower its production cost to increase its competitiveness, Kinsteel plans to construct its own steel billets plant in year 2005. The construction of the steel billets plant is expected to complete by year 2007 at an estimated cost of approximately RM100 million. Steel billet is the main raw material used by Kinsteel to manufacture steel bars. The steel billets manufactured by Kinsteel will be used mainly for Kinsteel's own consumption and is expected to enable Kinsteel to lower its production cost thus improving its competitiveness under the AFTA regime. Further, the Company's dependence on external parties for the supply of billets would be reduced with the production of its own billets.

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**6. INFORMATION ON KINSTEEL GROUP (Cont'd)**

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In this regard, a piece of land owned by the Group located at Gebeng Industrial Estate, Kuantan has been earmarked for the construction of the steel billets plant. Kinsteel has been granted a manufacturing licence by MITI to manufacture steel billets on 28 February 1999. Kinsteel has also received the Pahang State Department of Environment's approval on 18 March 1997 for the construction of the steel billets plant.

In addition, Kinsteel is periodically upgrading its machinery and training its workforce to keep abreast with the current production technologies and technical know-how. Presently, Kinsteel is applying a steel rolling technology adopted from Taiwan in its manufacturing process which has enabled the Company to reduce its production costs and wastage of raw materials.

With the liberalisation of trading environment under the AFTA regime, the Directors of Kinsteel plan to penetrate into the South East Asia regional market by setting up representative offices in the next few years with the objective of widening the market for its steel products and to capture a larger customer base. Apart from a marketing presence, the establishment of representative offices will also enable Kinsteel to service its foreign customers more effectively. In this connection, Kinsteel is currently undertaking a feasibility study to ascertain the possible locations and the estimated costs involved in setting up the said representative offices.

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## 7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT

### 7.1 PROMOTERS AND MAJOR SHAREHOLDERS

#### (i) Promoters

The promoters of Kinsteel and their shareholdings in Kinsteel upon completion of the Public Issue and Offer for Sale are as follows:

Name	Nationality/ Country of Incorporation	After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Dato' Pheng Yin Huah	Malaysian	30,000 <sup>1</sup>	0.05	31,024,256 <sup>2</sup>	51.7
Hong Thian Hock	Malaysian	30,000 <sup>1</sup>	0.05	31,024,256 <sup>2</sup>	51.7
SPSB	Malaysia	13,457,084	22.4	-	-

Notes:

1. Allocation of Kinsteel Shares under the "pink form".
2. Deemed interested by virtue of his direct interest in Perniagaan Kin Kee Sdn Bhd, which in turn owns more than 15% in Kin Kee, the immediate holding company of Kinsteel.

#### (ii) Major Shareholders

The Major Shareholders of Kinsteel and their shareholdings in Kinsteel upon completion of the Public Issue and Offer for Sale are as follows:

Name	Nationality/ Country of Incorporation	After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Kin Kee <sup>(A)</sup>	Malaysia	31,024,256	51.7	-	-
Perniagaan Kin Kee Sdn Bhd <sup>(B)</sup>	Malaysia	-	-	31,024,256 <sup>1</sup>	51.7
Dato' Pheng Yin Huah <sup>(C)</sup>	Malaysian	30,000 <sup>4</sup>	0.05	31,024,256 <sup>2</sup>	51.7
Hong Thian Hock <sup>(D)</sup>	Malaysian	30,000 <sup>4</sup>	0.05	31,024,256 <sup>2</sup>	51.7
SPSB <sup>(E)</sup>	Malaysia	13,457,084	22.4	-	-
Yayasan Pahang <sup>(F)</sup>	Malaysia	-	-	13,457,084 <sup>3</sup>	22.4

Notes:

1. Deemed interested by virtue of its direct interest in Kin Kee, the immediate holding company of Kinsteel.
2. Deemed interested by virtue of his direct interest in Perniagaan Kin Kee Sdn Bhd, which in turn owns more than 15% in Kin Kee, the immediate holding company of Kinsteel.
3. Deemed interested by virtue of its direct interest in SPSB.
4. Allocation of Kinsteel Shares under the "pink form".

## 7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

Further information on the promoters and Major Shareholders of Kinsteel is as follows:

### (A) Kin Kee

Kin Kee was incorporated in Malaysia on 7 October 1995 under the Act as a private limited company and is principally an investment holding company.

The current authorised share capital is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each of which RM11,300,009 of ordinary shares of RM1.00 each have been issued and paid-up.

The board of directors of Kin Kee as at 1 September 2002 comprises the following members:

- (a) Dato' Pheng Yin Huah
- (b) Hong Thian Hock
- (c) Lew Choon

As at 1 September 2002, the direct and indirect interests of the Major Shareholders of Kin Kee in the company are as follows:

Major Shareholder	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Perniagaan Kin Kee Sdn Bhd	6,849,611	60.7	-	-
Dato' Pheng Yin Huah	1,660,648	14.7	6,849,611 <sup>1</sup>	60.7
Hong Thian Hock	1,195,638	10.6	6,849,611 <sup>1</sup>	60.7
Hong Cheng Guat	797,057	7.0	797,055 <sup>2</sup>	7.0
Lew Choon	797,055	7.0	797,057 <sup>3</sup>	7.0

Notes:

1. Deemed interested by virtue of his interest in Perniagaan Kin Kee Sdn Bhd
2. Deemed interested through her husband, Lew Choon's shareholdings in Kin Kee
3. Deemed interested through his wife, Hong Cheng Guat's shareholdings in Kin Kee

### (B) Perniagaan Kin Kee Sdn Bhd

Perniagaan Kin Kee Sdn Bhd was incorporated in Malaysia under the Act on 15 November 1986 and is principally an investment holding company and is also involved in trading of scrap iron.

The current authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which RM3,700,006 of ordinary shares of RM1.00 each have been issued and paid-up.

The board of directors of Perniagaan Kin Kee Sdn Bhd as at 1 September 2002 comprises the following members:

- (a) Dato' Pheng Yin Huah
- (b) Hong Thian Hock

## 7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

As at 1 September 2002, the direct and indirect interests of the Major Shareholders of Perniagaan Kin Kee Sdn Bhd in the company are as follows:

Major Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Pheng Yin Huah	2,130,003	57.6	-	-
Hong Thian Hock	1,170,003	31.6	-	-

### (C) Dato' Pheng Yin Huah

The profile of Dato' Pheng Yin Huah, who is the Managing Director of Kinsteel, is set out in Section 7.2 below.

### (D) Hong Thian Hock

The profile of Hong Thian Hock, who is an Executive Director of Kinsteel, is set out in Section 7.2 below.

### (E) SPSB

SPSB was incorporated on 19 August 1985 under the Act as a private limited company and are principally involved in investment holding, renting of properties and plantation development.

The current authorised share capital is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each of which RM34,678,175 of ordinary shares of RM1.00 each have been issued and paid-up. SPSB is in the process of undertaking a capital reduction exercise pursuant to Section 64 of the Act to reduce its share capital from RM34,678,175 divided into 34,678,175 ordinary shares of RM1.00 each to RM28,976,605 divided into 28,976,605 ordinary shares of RM1.00 each.

The board of directors of SPSB as at 1 September 2002 comprises the following members:

- (a) YAB Dato' Sri Adnan bin Yaakob
- (b) Sa'ariah binti Saad
- (c) Dato' Hj Abdul Rahim bin Abdul
- (d) Dato' Hj Abd Halim bin Aman
- (e) Dato' Kamaruddin bin Mohammed
- (f) Dato' Hj Wan Dollah @ Wan Abdullah bin W. Salleh
- (g) Dato' Zainal bin Hj Ismail

As at 1 September 2002, the direct and indirect interests of the Major Shareholders of SPSB in the company are as follows:

Major Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Yayasan Pahang	34,678,175	100	-	-



**7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT  
(Cont'd)**
**(F) Yayasan Pahang**

Yayasan Pahang was established in Malaysia on 1983 under the Pahang State Enactment No 6/82. Under the said Enactment, the objective of Yayasan Pahang is to improve the development of education, sports, cultural and educational facilities in the state of Pahang.

The board of trustees of Yayasan Pahang as at 1 September 2002 comprises the following members:

- (a) YAB Dato' Sri Adnan bin Yaakob
- (b) Dato' Hj Abd Rahim Abdul
- (c) Dato' Hj Abd Halim Aman
- (d) Dato' Law Kee Long
- (e) Tuan Hj Ahmad Munawar b. Hj Abdul Jalil
- (f) Dato' Hj Mohamed b. Hj Jaafar
- (g) Dato' Hj Abdul Rahman b. Hj Imam Arshad
- (h) Dato' Abdul Rahim b Hj Mohamad
- (i) Dato' Kamaruddin bin Mohammed
- (j) Dato' Dr Abdul Monir Yaakob
- (k) Dato' Hj Abdul Rashid Abdul Rahman

**(iii) Directorships and major shareholdings of the promoters and Major Shareholders in other public corporations for the past 2 years**

Based on the declarations by the promoters and Major Shareholders of Kinsteel, save as disclosed below, none of the promoters or Major Shareholders of Kinsteel have any directorships and/or major shareholdings (holding 5% or more equity interest in the shares) in any other public corporations for the past two years:

Name of company	Date of appointment / (resignation)	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
<b>Dato' Pheng Yin Huah</b> KCCI Lianzi Berhad	04.10.2000	1 <sup>1</sup>	33.3	-	-
<b>Yayasan Pahang</b> Malaysian General Investment Corp. Berhad	-	32,083,000	49.8	-	-

Note:

1. Held as nominee for Kuantan Chinese Chamber of Commerce and Industries

## 7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

### (iv) Changes in the direct and indirect shareholdings of the promoters and Major Shareholders of Kinsteel

Save as disclosed below, there have been no changes in the direct and indirect shareholdings of the promoters and Major Shareholders of the Company for the past 3 years ended 1 September 2002:

Name	Date	Direct shareholdings in Kinsteel before changes	Shares acquired / (converted)	Direct shareholdings in Kinsteel after changes	%
<b>Ordinary shares</b>					
SPSB	30.08.02 <sup>1</sup>	2,163,429	4,285,720	6,449,149	30.0
	04.09.02 <sup>2</sup>	6,449,149	8,550,854	15,000,003	30.0
Kin Kee	04.09.02 <sup>2</sup>	14,868,010	19,713,327	34,581,337	69.2
<b>RCPS</b>					
SPSB	30.08.02 <sup>1</sup>	4,800,003	(4,800,003)	-	-
<b>SRCPS</b>					
SPSB	30.08.02 <sup>1</sup>	2,571,433	(2,571,433)	-	-

Notes:

1. Pursuant to Conversion of Preference Shares
2. Pursuant to Bonus Issue

## 7.2 DIRECTORS

### (i) Profile

**Dato' Md Sharif Shamsuddin**, aged 52, was appointed as the Non-Executive Chairman of Kinsteel on 16 June 1994. Dato' Sharif is also a corporate representative of SPSB. Dato' Sharif graduated from University of Malaya in 1973 with an honours degree in Anthropology and Sociology and a diploma in Public Administration in 1975. He is also a member of the Chartered Institute of Marketing, United Kingdom since 1995. He has more than 20 years of experience in the public sector. He served as an Assistant Secretary at the Ministry of Housing and Local Government and the Ministry of Environment, Science and Technology from 1973 to 1975. Thereafter, he worked as a Senior Project Officer and Lecturer at Institut Tadbiran Awam Negara ("INTAN"), Kuala Lumpur for 5 years before joining the Kuantan Municipal Council in 1980 as Chief Administrator and in 1986 as Deputy President. In 1990, he was appointed the General Manager of Pahang State Foundation and held this position until 1995. He also holds directorships in Malaysian General Investment Corporation Berhad and Kris Components Bhd, which are listed on the KLSE. He also sits on the board of several other private limited companies in Malaysia.

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**7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT**  
*(Cont'd)*

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**Dato' Pheng Yin Huah**, aged 54, was appointed as a Director on 3 January 1991 and subsequently appointed as the Managing Director of Kinsteel on 19 January 1991. He began his apprenticeship in the steel business in 1964 under the tutelage of his late father, the founder of the Kin Kee group of companies, Mr Hong Kim Kee. Through Dato' Pheng's leadership and guidance, the Kin Kee group of companies has been transformed over a period of 33 years from collection of scrap iron into an integrated steel based company involved in the trading and manufacturing of steel products. Dato' Pheng started the manufacturing of steel products through investments in Kinsteel in 1991. His involvement in the steel industry for the past thirty years has earned him the recognition and respect as one of the leading businessmen in the steel industry. Dato' Pheng is also the Managing Director of Kin Kee Hardware Sdn Bhd, Kin Kee Metal Sdn Bhd, Kin Kee Properties Sdn Bhd and Perniagaan Kin Kee Sdn Bhd which are involved in trading of iron, metal and steel products and property development. He also sits on the board of several other private limited companies. In addition to the above, Dato' Pheng is also actively involved in social work. He is currently the President of Malaysia Hardware, Machinery and Building Material Dealers' Association, Honorary Advisor of Pahang Chinese Chamber of Commerce and Industries, Vice-President of Persatuan Peniaga Logam Dan Jentera Pahang, President of Kuantan Chinese Chamber of Commerce and Industries, Honorary Advisor of the Associated Chinese Chamber of Commerce and Industry of Malaysia, Vice-President of the Federation of Chinese Assembly Halls in Malaysia, Vice-President of the Table Tennis Association of Malaysia, Vice-President of the Hokkien Association of Kuantan, Chairman and a member of the Board of Governors of Sekolah Rendah Jenis Kebangsaan (C) Kuang Hwa, Chairman of the Building Committee of the Pahang Buddhist Association and President of the Gabungan Persatuan-Persatuan Cina Pahang. Dato' Pheng was appointed by the State Government of Pahang as Ahli Lembaga Pelawat of Hospital Tengku Ampuan Afzan in 1994, a post he still holds to-date.

**Henry Pheng Chin Guan**, aged 31, was appointed as an Executive Director and Chief Executive Officer of Kinsteel on 5 February 1997. Together with Dato' Pheng Yin Huah, he is responsible for formulating and implementing Kinsteel Group's business policy and corporate strategy. In addition, he also manages the overall operations of Kinsteel. He graduated in 1993 with a Bachelor of Commerce degree from the University of Wollongong, New South Wales, Australia. He is a full member of the CPA Australia and a chartered accountant with the Malaysian Institute of Accountants. Prior to joining Kinsteel, he was attached to a public accounting firm, Messrs. Coopers & Lybrand from 1994 to 1995.

**Hong Thian Hock**, aged 49, was appointed as an Executive Director of Kinsteel on 3 January 1991. He first ventured into the family business at the age of 19 and has accumulated more than 25 years of hands-on experience in the steel industry. Mr Hong has been instrumental in spearheading the progress and development of the trading division of KKM. Mr Hong also heads the management committee for the Kinsteel Production Division where he is directly involved in the production expansion programmes, business development and research and development of new products for the Group. He also sits on the board of various other private limited companies.

**Lew Choon**, aged 45, was appointed as an Executive Director of Kinsteel on 19 January 1991. He has been involved in the steel industry for more than 20 years and has accumulated much invaluable hands-on experience and exposure in all respect of the steel business. He is currently the Director responsible for marketing, production planning and quality control for the Kinsteel Group. He also sits on the board of various other private limited companies.

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**7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT**  
*(Cont'd)*

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**Hong Cheng Guat**, aged 44, was appointed as an Executive Director of Kinsteel on 3 January 1991 and resigned on 30 May 1994. On the same day she was appointed as an Alternate Director to Lew Choon. On 12 August 2002, she resigned as an Alternate Director and re-appointed as an Executive Director on the same day. Presently, she is the Group Finance Manager of the Kinsteel Group. With over of 25 years of experience, Madam Hong has gained extensive practical experience in the finance, accounts and administration functions. As the Group Finance Manager, Madam Hong has the overall control of the finance and administrative activities of the Group which include preparation of accounts and budgets, credit control and treasury of the Kinsteel Group. Madam Hong is also responsible in developing a comprehensive and effective human resource management and office administration programme for the Group. In addition, she is also in charge of the logistic and purchasing activities of the Kinsteel Group. Madam Hong also sits on the board of various other private limited companies.

**Pheng Chin Kiat**, aged 32, was appointed as an Executive Director of Kinsteel on 12 August 2002. He graduated with a Bachelor of Business degree from Edith Cowan University, Western Australia in 1994. He is also a full member of the CPA Australia and a chartered accountant with the Malaysian Institute of Accountants. After graduating, he joined Kin Kee Properties Sdn Bhd, a housing development company and Kin Kee Development Sdn Bhd, a property development company as General Manager. He is currently the Executive Director of the above companies. He also sits on the board of various other private limited companies.

**Kamaruddin Bin Koskani Abdul Hamid**, aged 41, was appointed as a Non-Executive Director of Kinsteel on 29 November 1996. He represents the interest of SPSB on the board. He graduated in 1984 with a Diploma in Planting Industry and Management from Mara Institute of Technology and in 1989 with a Bachelor Degree in Business Administration from the International Islamic University. In 2001, he obtained Master of Business Administration from University Utara Malaysia. He joined SPSB in 1994 and is currently a Senior Manager in SPSB.

**Pheng Chin Huat**, aged 29, was appointed as a Non-Executive Director of Kinsteel on 12 August 2002. He graduated with a Bachelor of Business of Administrative Degree from University of Central Oklahoma in 1996. After graduating, he joined Mutiara Besi Logam Sdn Bhd and MBL Trading Sdn Bhd, a steel trading company as Executive Director. He also sits on the board of various other private limited companies.

**Rahadian Mahmud Bin Mohammad Khalil**, aged 29, was appointed as an Independent Non-Executive Director of Kinsteel on 7 April 1997. He is currently a Director in EG. Com Berhad, a public listed company and the Managing Director of MYEG Dot Com Sdn Bhd, an internet content service provider. He also sits on the board of various other private limited companies.

**Shamsudin @ Samad bin Kassim**, aged 56, was appointed as an Independent Non-Executive Director of Kinsteel on 12 August 2002. He graduated in 1970 with a Bachelor of Economics degree from University Malaya and completed his Masters degree in Public and International Affairs (MPIA) from University of Pittsburgh, United States of America in 1979. He has more than 30 years of experience in the public sector. He served as an Assistant Secretary at the Ministry of Works from 1970 to 1973. Thereafter, he worked as an Economist at Highway Planning Unit from 1973 to 1974 before joining the Services Division of Public Services Department as an Assistant Director from 1974 to 1979. He assumed the post as a Programme Co-ordinator INTAN from 1981 to 1984 and after that seconded to Malaysian Industrial Development Finance Berhad from 1984 to 1985. In 1985, he joined the Industry Division of MITI as a Senior Assistant Secretary and was transferred to Trade Commission, Vienna, Austria in 1989. On his return in 1996, Samad Kassim he was appointed as a Director of the Industry Division of MITI until 2000. From 2000 to 2001, he assumed the position as the Chief Executive Officer of Small and Medium Industry Development Corporation ("SMIDEC"). He sits on the board of Century Logistics Holdings Berhad, Supermax Corporation Berhad and Ingress Corporation Berhad and also sits on the board of several other private limited companies in Malaysia.

## 7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

**Kan Wai Mun**, aged 25, was appointed as an Independent Non-Executive Director of Kinsteel on 12 August 2002. He joined the Mara Community College in Kuantan before he graduated from Ohio State University, United States of America in 1999 with a Bachelor of Science degree in Civil Engineering. He currently holds a position as an executive engineer in Franky Construction Sdn Bhd, a construction company. He also sits on the board of various other private limited companies.

**Chong Hoi Sheong @ Chong Hoi Cheong**, aged 56, was appointed as an Independent Non-Executive Director on 12 August 2002. He had served as a teacher in several schools in Pahang and was subsequently appointed as a senior assistant of Sekolah Menengah Paya Besar, Kuantan from 1983 to 1986. In 1987, he was promoted to be the acting Principal from 1987 to 1990. After his retirement from the teaching profession in 1992, he joined a property based company and held a position as a manager. In 1995, he formed a property development company and is currently active in the day-to-day operations of the company.

**Pheng Chin Shiun**, aged 28, was appointed as an Alternate Director to Hong Cheng Guat on 12 August 2002. He graduated with a Bachelor of Electrical Engineering degree from University of Malaya in 1999. He is currently the Managing Director of PCS Vision Sdn Bhd, an electronic system manufacturer. He also sits on the board of various other private limited companies.

### (ii) Directors' shareholdings in Kinsteel

The directors' shareholdings in Kinsteel upon completion of the Public Issue and Offer for Sale are as follows:

Name	Designation	After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Dato' Md Sharif bin Shamsuddin	Non-Executive Chairman	30,000 <sup>1</sup>	0.05	-	-
Dato' Pheng Yin Huah	Managing Director	30,000 <sup>1</sup>	0.05	31,024,256 <sup>2</sup>	51.7
Henry Pheng Chin Guan	Chief Executive Officer	30,000 <sup>1</sup>	0.05	-	-
Hong Thian Hock	Executive Director	30,000 <sup>1</sup>	0.05	31,024,256 <sup>2</sup>	51.7
Lew Choon	Executive Director	30,000 <sup>1</sup>	0.05	-	-
Hong Cheng Guat	Executive Director	30,000 <sup>1</sup>	0.05	-	-
Pheng Chin Kiat	Executive Director	30,000 <sup>1</sup>	0.05	-	-
Kamaruddin bin Koskani Abdul Hamid	Non-Executive Director	30,000 <sup>1</sup>	0.05	-	-
Pheng Chin Huat	Non-Executive Director	30,000 <sup>1</sup>	0.05	-	-
Rahadian Mahmud bin Mohd Khalil	Independent Non-Executive Director	30,000 <sup>1</sup>	0.05	-	-
Shamsudin @ Samad bin Kassim	Independent Non-Executive Director	30,000 <sup>1</sup>	0.05	-	-
Kan Wai Mun	Independent Non-Executive Director	30,000 <sup>1</sup>	0.05	-	-
Chong Hoi Sheong @ Chong Hoi Cheong	Independent Non-Executive Director	30,000 <sup>1</sup>	0.05	-	-

**7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT**  
*(Cont'd)*

Name	Designation	After Public Issue and Offer for Sale			
		Direct No. of Shares	%	Indirect No. of Shares	%
Pheng Chin Shiun <i>(alternate to Hong Cheng Guat)</i>	Alternate Director	30,000 <sup>1</sup>	0.05	-	-

Notes:

1. Allocation of Kinsteel Shares under the "pink form".
2. Deemed interested by virtue of his direct interest in *Perniagaan Kin Kee Sdn Bhd* which in turn owns more than 15% in *Kin Kee*, the immediate holding company of Kinsteel.

**(iii) Directorships and major shareholdings of the directors in other public corporations for the past 2 years**

Based on the declarations by the directors of Kinsteel, save as disclosed below, none of the directors of Kinsteel have any directorships and/or major shareholdings (holding 5% or more equity interest in the shares) in any other public corporations for the past two years:

Name of company	Date of appointment / (resignation)	Direct		Indirect	
		No. of shares	%	No. of shares	%
<b>Dato' Md Sharif bin Shamsuddin</b>					
Malaysian General Investment Corporation Berhad	23.07.1990	-	-	-	-
Park May Berhad	(23.10.2001)	-	-	-	-
Kris Components Berhad	08.06.1993	5,150,000	11.0	-	-
<b>Dato' Pheng Yin Huah</b>					
KCCI Lianzi Berhad	04.10.2000	1 <sup>1</sup>	33.3	-	-
<b>Rahadian Mahmud bin Mohammad Khalil</b>					
EG. Com Berhad	10.02.2000	-	-	-	-
North Borneo Corporation Berhad	25.08.2000	-	-	-	-
Sanbumi Berhad	23.02.2001	-	-	-	-
<b>Shamsudin @ Samad bin Kassim</b>					
Century Logistics Berhad	01.11.2001	-	-	-	-
Ingress Corporation Berhad	01.11.2001	-	-	-	-
Supermax Corporation Berhad	18.07.2002	-	-	-	-

Note:

1. Held as nominee for *Kuantan Chinese Chamber of Commerce and Industries*

## 7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

### (iv) Directors' Remuneration and Benefits

The aggregate remuneration paid and proposed to be paid to the directors of Kinsteel for their services rendered in all capacities to the Company and its subsidiaries for the financial year ended 31 December 2001 and the financial year ending 2002 are as follows:

Remuneration band RM	Year ended 31 December 2001		Year ending 31 December 2002	
	Aggregate remuneration RM'000	No. of Directors	Aggregate remuneration RM'000	No. of Directors
0 – 100,000	270	6	325	12
100,001 – 200,000	116	1	121	1
Above 200,000	868	1	983	1

The amount of benefits received by the Directors for the financial year ended 31 December 2001 was RM46,675. For the financial year ending 31 December 2002, the estimated amount of benefits to be received by the Directors for the financial year ending 31 December 2002 is RM46,675.

### (v) Declarations from the Directors

None of the directors is or was involved in the following events (whether in or outside Malaysia):

- (a) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any company of which he was a director or key personnel;
- (b) Conviction in a criminal proceedings or is a named subject of a pending criminal proceedings; and
- (c) The subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or government body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

### (vi) Service contracts

A service agreement dated 22 April 1997 was entered into between Kinsteel and Dato' Pheng Yin Huah for the employment of Dato' Pheng Yin Huah as a Director and the Managing Director of Kinsteel from the date of the agreement until the determination by notice by either parties thereto. In consideration of his service, Dato' Pheng Yin Huah will be paid a monthly basic salary and a yearly bonus.

Save as disclosed above, there are no existing or proposed service contracts between the directors and the Company or its subsidiaries which are not expiring or terminable by the employing company without payment or compensation (other than statutory compensation) within the last one year.

## 7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

### 7.3 AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

Name	Designation	Directorship
Shamsudin @ Samad bin Kassim	Chairman	Independent Non-Executive Director
Rahadian Mahmud bin Mohammad Khalil	Member	Independent Non-Executive Director
Henry Pheng Chin Guan	Member	Chief Executive Officer

The Audit Committee is responsible for the recommendation to the Board of Directors regarding the selection of the external auditors, reviewing the results and scope of the audit and other services provided by the Group's external auditors and reviews and evaluates the Group's internal audit and control functions. The Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. The Audit Committee may also obtain advice from independent parties and other professionals in the performance of its duties.

### 7.4 KEY MANAGEMENT

#### (i) Profile of key management

The management team of Kinsteel is headed by Dato' Pheng Yin Huah who is the Managing Director of the Company and is assisted by a team of experienced management comprising Henry Pheng Chin Guan, Hong Thian Hock, Lew Choon, Hong Cheng Guat and the following personnel:

**Teh Foo Hock**, aged 37, is the Group Accountant of Kinsteel. He is a full member of the Malaysian Institute of Certified Public Accountants and a chartered accountant with the Malaysian Institute of Accountants since 1996. He is also an associate member of the Malaysian Institute of Taxation (1997) and the Institute of Internal Auditors of Malaysia (1999). He is responsible for the finance and accounting functions of the Kinsteel Group. He also assists the Chief Executive Officer of Kinsteel in formulating and implementing Kinsteel Group's business policies, internal controls and corporate strategies. Prior to joining Kinsteel in May 1997, he was attached to a public accounting firm, Messrs. Coopers & Lybrand from 1985.

**Chiang Yook Onn @ Chiang John**, aged 52, is the General Manager of the Production Division of Kinsteel. He is responsible for the day-to-day factory operations including production, quality control, product development and plant maintenance. He has more than 20 years experience in the steel industry especially in the production of steel products. He graduated in 1973 with a Bachelor of Science degree in Mechanical Engineering from the National Taiwan University. From 1979 to 1993, he was attached to DahYung Steel (M) Sdn Bhd, a company involved in the manufacturing of steel bars, steel melting, and steel casting as a factory manager. Prior to joining Kinsteel in March 1995, he was running his own business of providing mechanical engineering services on a contract basis.

**Goh Yoke Lan @ Goh Mei Leng**, aged 32, is the Group Credit Controller of Kinsteel. She is responsible for formulating and monitoring credit control policies and strategies. She graduated with a Bachelor of Commerce Degree from the University of Wollongong, New South Wales, Australia in 1994. She started her career in 1994 as an Audit Assistant with Messrs. Arthur Andersen before joining RHB Bank Berhad, Kuantan as the Head of Remittance Department in 1996 for 2 years. She joined KKM in 1998.



## 7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

### (ii) Key management's shareholdings in Kinsteel

The key management's shareholdings in Kinsteel upon completion of the Public Issue and Offer for Sale are as follows:

Name	Designation	After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Dato' Pheng Yin Huah	Managing Director	30,000 <sup>1</sup>	0.05	31,024,256 <sup>2</sup>	51.7
Henry Pheng Chin Guan	Chief Executive Officer	30,000 <sup>1</sup>	0.05	-	-
Hong Thian Hock	Executive Director	30,000 <sup>1</sup>	0.05	31,024,256 <sup>2</sup>	51.7
Lew Choon	Executive Director	30,000 <sup>1</sup>	0.05	-	-
Hong Cheng Guat	Executive Director	30,000 <sup>1</sup>	0.05	-	-
Teh Foo Hock	Group Accountant	30,000 <sup>1</sup>	0.05	-	-
Chiang Yook Onn @ Chiang John	General Manager of Production Division of Kinsteel	30,000 <sup>1</sup>	0.05	-	-
Goh Yoke Lan @ Goh Mei Leng	Group Credit Controller	30,000 <sup>1</sup>	0.05	-	-

Notes:

1. Allocation of Kinsteel Shares under the "pink form".
2. Deemed interested by virtue of his direct interest in Perniagaan Kin Kee Sdn Bhd which in turn owns more than 15% in Kin Kee, the immediate holding company of Kinsteel.

### (iii) Declaration from the key management

None of the key management is or was involved in the following events (whether in or outside Malaysia):

- (a) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any company of which he was a director or key personnel;
- (b) Conviction in a criminal proceedings or is a named subject of a pending criminal proceedings; and
- (c) The subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or government body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

### (iv) Service contracts

Save for Dato' Pheng Yin Huah, none of the key management has any existing or proposed service contracts with the Company or its subsidiaries, excluding contracts expiring or which are terminable by the employing company without payment or compensation (other than statutory compensation) within one (1) year.

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**7. INFORMATION ON PROMOTERS/SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT**  
*(Cont'd)*

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**7.5 FAMILY RELATIONSHIP**

Dato' Pheng Yin Huah and Hong Thian Hock are brothers. Hong Cheng Guat, who is the spouse of Lew Choon, is also the sister of Dato' Pheng Yin Huah and Hong Thian Hock. Pheng Chin Kiat, Henry Pheng Chin Guan, Pheng Chin Huat and Pheng Chin Shiun are the sons of Dato' Pheng Yin Huah. Goh Yoke Lan @ Goh Mei Leng is the spouse of Henry Pheng Chin Guan.

Save for the above, none of the Major Shareholders, promoters, directors and key management of the Kinsteel Group are related to each other.

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## 8. CONDITIONS OF THE FLOTATION SCHEME

The Flotation Scheme of Kinsteel was approved by the following authorities:

Authorities	Date
SC	24 January 2002, 8 July 2002 and 3 September 2002
MITI	7 December 2000 and 18 June 2002
FIC	13 October 2000 and 18 June 2002

The details of the conditions of the authorities' approval and status of compliance are set out below:

Date of approval	Conditions imposed SC	Status of compliance
24 January 2002	<ol style="list-style-type: none"> <li>1. The conditions to be complied for the utilisation of proceeds are as follows:               <ol style="list-style-type: none"> <li>(i) The approval of the SC must be obtained for any revision to the original utilisation of proceeds if such revision involve the redirection of proceeds for the non-core business of Kinsteel.</li> <li>(ii) The approval of the shareholders of Kinsteel must be obtained for any deviation exceeding 25% of the original utilisation of proceeds. In the event the deviation in the utilisation of proceeds is less than 25%, the appropriate disclosure should be made to the shareholders of Kinsteel via the KLSE.</li> <li>(iii) Any extension of time to utilise the proceeds must be approved by the Board of Directors of Kinsteel and should be fully disclosed to the KLSE.</li> <li>(iv) Appropriate disclosure on the status of the utilisation of proceeds must be made in the quarterly and annual reports of Kinsteel until all the proceeds are fully utilised.</li> </ol> </li> <li>2. The Board of Directors of Kinsteel is required to furnish a written undertaking to the SC stating that Kinsteel will comply with all rules and regulations in relation to Kinsteel's business, including but not limited to the conditions imposed in Kinsteel's business licence.</li> <li>3. The Board of Directors of Kinsteel is required to furnish a written declaration to the SC, prior to the registration of this Prospectus, stating that in the event the MITI does not extend the exemption granted to Kinsteel to comply with the 50% export condition on Kinsteel's production ("Export Condition"), the financial projections of Kinsteel are as per projected and furnished by Kinsteel to the SC on 29 November 2001.</li> <li>4. Kinsteel is required to fully comply with the terms and conditions imposed by the Pahang State of Department of Environment and/or other relevant Government Department/Agency, particularly the installation of the pollution control equipment, prior to the registration of this Prospectus. In this connection, Kinsteel is required to allocate at least RMI million to ensure the compliance of the above terms and conditions imposed.</li> </ol>	<p>Will be complied by Kinsteel</p> <p>Will be complied by Kinsteel</p> <p>Will be complied by Kinsteel</p> <p>Will be complied by Kinsteel</p> <p>Complied. Written undertaking was furnished to the SC on 20 September 2002</p> <p>Complied. Written declaration was furnished to the SC on 24 September 2002</p> <p>Complied. Confirmation was furnished to the SC on 20 September 2002</p>

## 8. CONDITIONS OF THE FLOTATION SCHEME (Cont'd)

Date of approval	Conditions imposed by the SC	Status of compliance
	5. Kinsteel is required to make detailed disclosure in its prospectus of the following:	
	(i) Status of compliance with the Export Condition and the regulation in relation to the Environment Quality (Clean Air) Regulations 1978.	Complied. Please refer to Sections 6.4(xi) and 6.4(xiii) of this Prospectus.
	(ii) Exemption granted by MITI from compliance with the Export Condition	Complied. Please refer to Section 6.4(xi) of this Prospectus.
	(iii) The effects on the financial projections of Kinsteel together with the contents of the written declaration by the Board of Directors of Kinsteel (as set out in paragraph 3 above) if MITI does not extend the exemption from compliance with the Export Condition.	Complied. Please refer to Section 11.3.4 of this Prospectus.
	(iv) Steps to be taken if the exemption from compliance with the Export Condition is not extended.	Complied. Please refer to Section 6.4(xi) of this Prospectus.
	(v) The source and estimated price of raw materials and the risks associated with raw materials.	Complied. Please refer to Sections 4(iv) and 6(iv) of this Prospectus.
	(vi) The prospects of the steel industry, including the position of Kinsteel in the aforesaid industry in the future.	Complied. Please refer to Sections 5 and 6.4(v) of this Prospectus.
	(vii) Steps to be taken by Kinsteel to mitigate risks associated with the implementation of the AFTA, in particular competition risks.	Complied. Please refer to Section 6.6 of this Prospectus.
	6. Kinsteel is required to focus on its existing business activities and is not permitted to be involved in any other activities other than its core business for a period of three (3) years upon its listing on the Main Board of the KLSE. Further, the Major Shareholders, promoters and directors of Kinsteel will not be permitted to be involved in any similar business or any business which is in direct competition with Kinsteel in the future, as long as they hold shares in Kinsteel and/or they are on the board of directors of Kinsteel.	Will be complied by Kinsteel and its promoters, Major Shareholders and Directors.
	7. All business transactions between Kinsteel Group and companies related to the promoters and Directors of Kinsteel in the future must be conducted on an arm's length basis and shall not based on terms and conditions which will disadvantage the Kinsteel Group. All such related business transactions shall be fully disclosed in this Prospectus. The Audit Committee of Kinsteel is required to monitor such transactions and the board of directors of Kinsteel is required to report such transactions, if any, on an annual basis in the annual report of Kinsteel.	Will be complied by Kinsteel. Please refer to Section 9 of this Prospectus.
	8. The Directors, Major Shareholders and/or companies controlled by the Directors and/or Major Shareholders of Kinsteel must settle all debts owing by them to Kinsteel Group, if any, prior to the listing of Kinsteel.	Complied. Confirmation was furnished to the SC on 20 September 2002

**8. CONDITIONS OF THE FLOTATION SCHEME (Cont'd)**

<b>Date of approval</b>	<b>Conditions imposed by the SC</b>	<b>Status of compliance</b>
	9. Kinsteel is required to fully comply with the requirements relating to the listing of the Company as stipulated in the SC's Policies and Guidelines on Issue/Offer of Securities, in particular chapters 7,10 and 25 of the aforesaid guidelines.	Will be complied by Kinsteel.
	10. Kinsteel and the relevant parties are required to furnish a written confirmation to the SC that all terms and conditions imposed by the SC as set out in paragraphs 2, 4 and 5 of the SC's letter dated 24 January 2002 have been fully complied.	Will be complied.
8 July 2002	No condition imposed.	-
3 September 2002	No condition imposed.	-

<b>Date of approval</b>	<b>Conditions imposed by the MITI</b>	<b>Status of compliance</b>
7 December 2000	1. The allocation of the 5,100,000 Offer Shares to Bumiputera investors would only be considered by MITI after the approval of the SC has been obtained for the Flotation Scheme.	Complied. MITI's approval has been given for the allocation of 5,100,000 Offer Shares to Bumiputera investors.
	2. The existing Bumiputera shareholder of Kinsteel, namely SPSB is required to obtain the prior written approval from MITI for disposal or transfer of their Kinsteel Shares.	Will be complied by SPSB.
18 June 2002	1. The allocation of the Offer Shares to the Bumiputera investors is subject to the condition that 30% of the Offer Shares allocated to the respective Bumiputera investors can only be sold within a 12-month period after the listing of Kinsteel and thereafter, the remaining 70% can be sold in stages after obtaining the prior approval of MITI.	To be complied
	2. Each of the approved Bumiputera investors is required to furnish a letter of undertaking to MITI prior to the allocation of the Offer Shares.	Complied Letters of undertaking by all the approved Bumiputera investors were furnished to the MITI on 25 June 2002.

<b>Date of approval</b>	<b>Conditions imposed by the FIC</b>	<b>Status of compliance</b>
13 October 2000	1. Kinsteel shall have at least 30% direct Bumiputera equity interest upon listing of Kinsteel on the Main Board of the KLSE.	Will be complied. Bumiputera investors approved by MITI are expected to subscribe for the Kinsteel Shares after the issuance of this Prospectus.
	2. Kinsteel shall obtain the approval of MITI for the Flotation Scheme.	Complied
18 June 2002	No condition imposed.	-

## 9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS

### 9.1 Related party transactions

- (i) Save as disclosed below, none of the Directors, Major Shareholders or key management have any interest in any contract or arrangement, which is significant in relation to the business of the Company or its subsidiaries taken as a whole subsisting as at the date of this Prospectus:

	<b>Directors and Major Shareholders</b>	<b>Related parties</b>	<b>Nature of related party transactions</b>	<b>Value of transactions (in %) for the 4-month period ended 30 April 2002</b>
1.	Dato' Pheng Yin Huah Hong Thian Hock	Kin Kee Hardware Sdn Bhd ("KKH")	Kinsteel sells steel bars to KKH  Kinsteel purchases hardware material, spare parts and machinery parts from KKH	Approximately 5.21% of the Group's turnover  Approximately 0.11% of the Group's cost of sales
2.	Dato' Pheng Yin Huah Hong Thian Hock Lew Choon Hong Cheng Guat	Kin Kee Metal Sdn Bhd ("KKMetal")	Kinsteel sells steel bars to KKMetal  Kinsteel purchases hardware material, spare parts and machinery parts from KKMetal	Approximately 0.37% of the Group's turnover  Approximately 0.01% of the Group's cost of sales
3.	Lew Choon Pheng Chin Huat	MBL Trading Sdn Bhd ("MBLT")	Kinsteel sells steel bars to MBLT	Approximately 3.46% of the Group's turnover
4.	Hong Thian Hock Hong Cheng Guat	Kien San Metal Sdn Bhd ("KSM")	Kinsteel sells steel bars to KSM	Approximately 0.09% of the Group's turnover
5.	Dato' Pheng Yin Huah Hong Thian Hock Hong Cheng Guat Pheng Chin Kiat	Kuantan Metal & Machinery Parts Sdn Bhd ("KMM")	Kinsteel purchases fuel oil and lubricants, spare parts and machinery parts for the maintenance of its machinery from KMM	Approximately 0.66% of the Group's cost of sales
6.	Dato' Pheng Yin Huah Hong Thian Hock	Kin Kee Transport Sdn Bhd ("KKT")	KKT provides transportation services to Kinsteel	Approximately 23.39% of the Group's distribution cost

**9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS (Cont'd)**

- (ii) Save as disclosed below, none of the Directors, Major Shareholders or key management of Kinsteel have any interest, direct or indirect, in any other business carrying on a similar trade as Kinsteel or any of its subsidiaries as at the date of this Prospectus.

	<b>Directors and Major Shareholders</b>	<b>Related parties</b>	<b>Principal activities</b>
1.	Dato' Pheng Yin Huah Hong Thian Hock	KKH	Supply of finished steel products to end-users and trading of hardware materials
2.	Dato' Pheng Yin Huah Hong Thian Hock Lew Choon Hong Cheng Guat	KKMetal	Trading of metal products
3.	Dato' Pheng Yin Huah Hong Thian Hock Lew Choon Hong Cheng Guat Pheng Chin Huat	Mutiara Besi Logam Sdn Bhd	Trading of scrap metals and supply of steel products
4.	Lew Choon Pheng Chin Huat	MBLT	Supply of finished products
5.	Hong Thian Hock Hong Cheng Guat	KSM	Trading of scrap metals and supply of steel products in East Malaysia

- (iii) Save as disclosed below, none of the Directors, Major Shareholders or key management have any interest, direct or indirect, in the promotion of or in any assets acquired by or proposed to be acquired by or assets disposed of by or proposed to be disposed of by or leased to or proposed to be leased to the Company or its subsidiaries within the two years preceding the date of this Prospectus:

A tenancy agreement dated 22 April 1997 entered into between KKH as landlord and Kinsteel as tenant for the tenancy of the premises located on the 3rd floor of the building located on land held under HS (M) 35857 for PT No 38947 in the Mukim of Kuala Kuantan, Pahang. Kinsteel agreed to pay a monthly rental of RM10,000. The duration of this agreement is 3 years and Kinsteel has an option to renew the tenancy for another term of 3 years upon expiry of the tenancy by giving KKH a written notice. Kinsteel had on, 1 June 2000 served a notice to KKH to extend the tenancy for another 3 years to 31 July 2003.

- (iv) The Directors of Kinsteel confirm that all the related party transactions as disclosed in Sections 9.1(i) and (iii) above are on terms not more favourable to the related parties than those generally available to public. In addition, the Audit Committee of Kinsteel will monitor all related party transactions and the Directors will report on such transactions in the annual reports.

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**9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS (Cont'd)**

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**9.2 Declarations by the Advisers**

RHB Sakura hereby confirms that, there is no conflict of interest with respect of its capacity as the Financial Adviser and Managing Underwriter to Kinsteel for the Flotation Scheme.

Messrs. Jeff Leong, Poon & Wong has confirmed that, there is no conflict of interest with respect of its capacity as the Solicitors to Kinsteel for the Flotation Scheme.

Messrs. PricewaterhouseCoopers has confirmed that, there is no conflict of interest with respect of its capacity as the Auditors and Reporting Accountants to Kinsteel for the Flotation Scheme.

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**10. SUMMARY OF LANDED PROPERTIES**

Details of the landed properties owned by the Kinsteel Group are set out below:

Registered Owner	Location	Description/ Existing Use	Tenure	Land Area	Built-up area/ approximate age of building	Audited net book value as at 30.04.2002 RM'000
Kinsteel	H.S.(D) 9690/P.T. 4540, Mukim of Sungai Karang District of Kuantan Pahang Darul Makmur	Industrial land & factory / Mills A, B,C & D, and office	Lease for 66 years expiring 14 July 2058	1.21 hectares	203.650 square feet / 2 to 11 years	8,049
Kinsteel	H.S.(D) 7829/P.T. 3644 Mukim of Sungai Karang District of Kuantan Pahang Darul Makmur		Lease for 66 years expiring 20 August 2053	7,536.45 square metres		
Kinsteel	H.S.(D) 17527/P.T. 7498 Mukim of Sungai Karang District of Kuantan Pahang Darul Makmur		Lease for 99 years expiring 22 February 2097	1.18 hectares		
Kinsteel	H.S.(D) 18129/P.T. 7528 Mukim of Sungai Karang District of Kuantan Pahang Darul Makmur		Lease for 99 years expiring 26 July 2097	7,540 square metres		
Kinsteel	H.S.(D) 17914/P.T. 7493 Mukim of Sungai Karang District of Kuantan Pahang Darul Makmur	Industrial land / Vacant	Lease for 99 years expiring 26 May 2097	91,010 square feet		
Kinsteel	H.S.(D) 17528/P.T. 7492 Mukim of Sungai Karang District of Kuantan Pahang Darul Makmur		Lease for 99 years expiring 22 February 2097	20,902 square metres		

**10. SUMMARY OF LANDED PROPERTIES (Cont'd)**

Registered Owner	Location	Description/ Existing Use	Tenure	Land Area	Built-up area/ approximate age of building	Audited net book value as at 30.04.2002 RM'000
Harvard	H.S.(D) 16728/P.T. 7448 Mukim of Sungai Karang District of Kuantan Pahang Darul Makmur	Industrial land	Lease for 99 years expiring 19 December 2096	12.623 hectares	-	10,727
		Factory / Mills E,F & G <sup>#</sup>	Lease for 99 years expiring 19 December 2096	-	261,360 square feet/ less than 5 years	23,578
<b>TOTAL</b>						<b>43,608</b>

Note:

\* The steel mills built on H.S.(D) 16728/P.T. 7448 are owned by Kinsteel but the aforementioned industrial land is owned by Harvard.

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## 11 FINANCIAL INFORMATION

### 11.1 HISTORICAL FINANCIAL INFORMATION

#### 11.1.1 Profit and dividend record

The table below, which is extracted from the Accountants' Report in Section 12 of this Prospectus and should be read in conjunction with the notes thereto, sets out a summary of the consolidated audited results of the Group for the five (5) financial years ended 31 December 2001 and the 4-month period ended 30 April 2002 which had been adjusted for changes in bases and accounting principles to be consistent with those adopted in the preparation of the audited financial statements for the 4-month period ended 30 April 2002 and in accordance with the applicable approved accounting standards in Malaysia.

	Financial year ended 31 December					4-month period ended
	1997	1998	1999	2000	2001	30 April 2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales	109,093	135,682	231,120	333,157	330,710	107,218
Cost of sales	(91,309)	(116,442)	(199,638)	(305,177)	(299,669)	(96,867)
Gross profit	17,784	19,240	31,482	27,980	31,041	10,351
Other income	598	351	240	635	458	282
Distribution costs	(3,297)	(3,475)	(6,935)	(5,451)	(7,349)	(2,776)
Administration expenses	(3,510)	(3,885)	(4,835)	(4,690)	(6,128)	(1,991)
Other operating expenses						
- realised loss on foreign exchange	-	(3,085)	-	-	-	-
Profit from operations	11,575	9,146	19,952	18,474	18,022	5,866
Finance cost	(3,433)	(9,044)	(8,353)	(8,092)	(7,684)	(2,179)
Profit before tax	8,142	102	11,599	10,382	10,338	3,687
Tax	(1,356)	3,001	(4)	(419)	(530)	(294)
Net profit for the year/period	6,786	3,103	11,595	9,963	9,808	3,393
Weighted average number of ordinary shares ('000)						
- basic	10,012	14,962	17,212	17,212	17,212	17,212
- fully diluted	11,726	18,444	21,497	21,497	21,497	21,497
EPS (sen)						
- basic	68	21	67	58	57	59*
- fully diluted	58	17	54	46	46	47*
EBITDA	13,959	15,146	24,686	23,855	23,800	8,096

\* Annualised

Notes:

1. The increase in turnover in 1998 was mainly attributable to the commissioning of 3 additional new mills which commenced production in 1998 to meet the increase in demand for the Group's products. Despite an increase in turnover, profit before tax decreased mainly due to higher interest expense. In addition, the Company also suffered a loss on foreign exchange of approximately RM3.085 million during the year.
2. The significant increase in turnover in 1999 was mainly due to an increase in demand for steel bars following the revival of infrastructure projects in Malaysia. The significant increase in profit before tax was in line with the increase in turnover.
3. The significant increase in turnover in 2000 was mainly due to an increase in the sales of iron ores on an ad-hoc basis. Despite an increase in turnover, profit before taxation decreased mainly due to the decrease in the selling price of the steel bars.

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**11. FINANCIAL INFORMATION (Cont'd)**

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4. *In 2001, Kinsteel was able to maintain its financial performance and experienced only a slight decrease in turnover as compared to the preceding year. The slight decrease in profit before taxation was in line with the decrease in turnover.*
5. *The decrease in turnover on an annualised basis for the 4-month period ended 30 April 2002 was mainly due to slower sales at the beginning of the year as a result of the festive seasons. Despite a decrease in turnover, profit before taxation on an annualised basis increased mainly due to an increase in the selling price of steel bars.*
6. *The other income mainly consists of interest income, rental income, gain on disposal of fixed assets and realised gain on foreign exchange.*
7. *There were no extraordinary items and exceptional items during the financial years under review.*
8. *The basic net EPS is calculated based on the weighted average fully paid-up ordinary shares in issue.*
9. *The fully diluted net EPS is calculated based on the weighted average fully paid-up ordinary shares in issue and the weighted average ordinary shares arising from the conversion of fully paid-up RCPS and SRCPS into ordinary shares.*
10. *For the past 5 financial years ended 31 December 2001 and the 4-month period ended 30 April 2002, the effective rate of taxation of the Group was lower than the statutory tax rate due to capital allowances and reinvestment allowances granted to the Company. There was no taxation charge on chargeable income for the financial year ended 31 December 1999 due to the tax waiver granted pursuant to Section 8 of the Income Tax (Amendment) Act, 1999.*
11. *The results in all the financial years under review were not subject to any auditors' qualifications.*

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.1.2 Segmental analysis by turnover and profits

#### (i) By business segments

The segmental analysis of turnover and profit before taxation by business segments for the past 5 financial years ended 31 December 2001 and the 4-month period ended 30 April 2002 are as follows:

#### *By turnover*

	Financial year ended					4-month period ended
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	30 April 2002 RM'000
Manufacture and sale of steel bars	109,093	135,682	212,732	220,779	275,154	107,218
Trading of iron ore	-	-	18,388	112,378	55,556	-
<b>Total</b>	<b>109,093</b>	<b>135,682</b>	<b>231,120</b>	<b>333,157</b>	<b>330,710</b>	<b>107,218</b>

#### *By profit before taxation*

	Financial year ended					4-month period ended
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	30 April 2002 RM'000
Manufacture and sale of steel bars	11,575	9,146	18,925	10,895	13,957	5,866
Trading of iron ore	-	-	1,027	7,579	4,065	-
<b>Profit from operations</b>	<b>11,575</b>	<b>9,146</b>	<b>19,952</b>	<b>18,474</b>	<b>18,022</b>	<b>5,866</b>
Finance cost	(3,433)	(9,044)	(8,353)	(8,092)	(7,684)	(2,179)
<b>Profit before tax</b>	<b>8,142</b>	<b>102</b>	<b>11,599</b>	<b>10,382</b>	<b>10,338</b>	<b>3,687</b>

#### (ii) By geographical location

The Group operates in Malaysia only and accordingly no segmental analysis by geographical location has been prepared.

## 11. FINANCIAL INFORMATION *(Cont'd)*

### 11.1.3 Directors' declaration on the financial performance

Save as disclosed in this Prospectus, the financial condition and operation of the Kinsteel Group were not affected by any of the following as at 16 September 2002:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expect to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (ii) material commitments for capital expenditure;
- (iii) unusual or infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

### 11.2 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

#### (i) Working Capital

The Directors of Kinsteel are of the opinion that, barring unforeseen circumstances and after taking into consideration the cashflow forecast and projections, banking facilities available and the net proceeds of the Public Issue, the Group will have adequate working capital for its present foreseeable requirements.

#### (ii) Borrowings

As at 16 September 2002 (being the latest practicable date prior to the issue of this Prospectus), the total interest bearing borrowings of the Group are as follows:

	RM'000
Short terms borrowings	80,370
Long term borrowings	28,934
<b>Total Borrowings</b>	<b>109,304</b>

#### (iii) Material Litigation

Neither Kinsteel nor any of its subsidiaries is engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of Kinsteel or any of its subsidiaries and the Directors do not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of Kinsteel or any of its subsidiaries.

#### (iv) Contingent Liabilities

As at 16 September 2002 (being the latest practicable date prior to the issue of this Prospectus), save for an unsecured corporate guarantee for credit facilities granted to a subsidiary company amounting to RM8,700,000, the Directors of Kinsteel are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

**11. FINANCIAL INFORMATION (Cont'd)****(v) Capital Commitments**

Save as disclosed below, as at 16 September 2002 (being the latest practicable date prior to the issue of this Prospectus), the Directors of Kinsteel are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

Approved and not contracted for	RM'000
Purchases of property, plant and equipment	1,456
Purchases of raw materials	18,610
	<u>20,066</u>

**11.3 CONSOLIDATED PROFIT FORECAST****11.3.1 Consolidated profit forecast**

The Directors of Kinsteel forecast that, barring any unforeseen circumstances, the consolidated profit forecast of Kinsteel for the financial year ending 31 December 2002 is as follows:

Year ending 31 December 2002		Forecast
Consolidated turnover	(RM'000)	<u>290,595</u>
Consolidated profit before taxation	(RM'000)	12,655
Taxation	(RM'000)	(1,631)
Consolidated profit after taxation	(RM'000)	<u>11,024</u>
Weighted average number of shares in issue	('000)	48,830 <sup>1</sup>
Enlarged issued and paid-up share capital	('000)	60,000
Gross EPS	(sen)	25.9 <sup>1</sup>
Net EPS	(sen)	22.6 <sup>1</sup>
Fully diluted gross EPS	(sen)	21.1 <sup>2</sup>
Fully diluted net EPS	(sen)	18.4 <sup>2</sup>
Gross PE Multiple based on issue/offer price of RM1.80 per Share	(times)	6.9 <sup>1</sup>
Net PE Multiple based on issue/offer price of RM1.80 per Share	(times)	8.0 <sup>1</sup>
Fully diluted gross PE Multiple based on issue/offer price of RM1.80 per Share	(times)	8.5 <sup>2</sup>
Fully diluted net PE Multiple based on issue/offer price of RM1.80 per Share	(times)	9.8 <sup>2</sup>

*Notes:*

1. Based on the weighted average number of 48,829,742 Kinsteel Shares during the financial year on the assumption that the Public Issue is completed by 31 October 2002
2. Based on the enlarged share capital of 60,000,000 Kinsteel Shares

**11. FINANCIAL INFORMATION (Cont'd)**

The principal bases and assumptions upon which the consolidated profit forecast have been prepared are as follows:

- (i) There will be no material changes in the principal activities, management structure or accounting and business policies from those presently adopted by Kinsteel Group.
- (ii) Inflation and interest rates will not change or fluctuate significantly from the present levels.
- (iii) There will be no significant changes in the present legislation or government regulations and policies in Malaysia and elsewhere which will affect Kinsteel Group's activities or the markets in which it operates.
- (iv) There will be no major breakdown or disruption in the manufacturing facilities, industrial disputes and political changes or any abnormal circumstances, which will adversely affect the operations and performance of Kinsteel Group.
- (v) There will be no material addition or disposals of property, plant and equipment to be undertaken by Kinsteel Group other than those forecasted. All capital expenditures will be incurred and implemented as scheduled.
- (vi) Financing facilities will remain available at current interest rates and additional financing facilities will be readily available as and when required at the prevailing interest rates.
- (vii) There will be no significant changes in the existing key personnel and management of Kinsteel Group that will adversely affect the marketing capability and level of activities of Kinsteel Group including the existing service agreement between Kinsteel Bhd and the Managing Director for the duration of the forecast year.
- (viii) The net selling prices of round, deformed and angle bar and MS channel ranges from RM1,018 to RM1,117 per MT.
- (ix) There will be no significant changes in the costs of steel billets forecasted at purchase price ranging from RM700 to RM785 per MT for 2002, labour and the trade terms and arrangements affecting the supplies of steel billets from its existing suppliers.
- (x) There will be no significant changes in operating expenses including wages, cost of supplies, administration and overhead expenses and other costs other than those forecasted.
- (xi) There will be no shortages in terms of production capacity to meet the increase in the demand of steel bars and related products.
- (xii) There will be no significant changes in the corporate tax rate, regulation or other levies from current level including timing of payment. The tax authorities will approve the reinvestment allowances claimed on qualifying capital expenditure.



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**11. FINANCIAL INFORMATION (Cont'd)**


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- (xiii) The gross proceeds of RM18,000,000 from the Public Issue of 10,000,000 new ordinary shares of RM1.00 each in Kinsteel Bhd at an issue price of RM1.80 per share will be utilised as follows:

	<b>RM'000</b>
Working capital	8,077
Repayment of bank borrowings	8,123
Share issue expenses	1,800
	<u>18,000</u>

Share issue expenses of RM1,800,000 will be written off against the share premium account.

**11.3.2 Directors' analysis and commentary on the achievability of profit forecast**

The turnover of the Kinsteel Group is expected to decline by 12.1% to RM290.6 million for the financial year ending 31 December 2002 compared to RM330.7 million in the previous financial year. In 2001, the sale of iron ore contributed approximately RM55.5 million to the Group's turnover. However, the Directors of Kinsteel do not expect any sale of iron ore for the financial year ending 31 December 2002. In this regard, the decline in turnover in 2002 is expected to be partially offset by the increase in sale of steel bars in 2002 by RM15.4 million compared to the previous financial year.

The Group's profit before taxation is expected to increase by 22.4% to RM12.7 million in 2002 from RM10.4 million in 2001 in tandem with the increase in the sale of steel bars.

The Directors of Kinsteel have reviewed the bases and assumptions used in arriving at the profit forecast and are of the opinion that, barring any unforeseen circumstances and after taking consideration the future prospects of the industry, and the level of gearing, liquidity and working capital of the Group, the profit forecast is reasonable and achievable, in light of the assumptions made.

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11. FINANCIAL INFORMATION (Cont'd)

11.3.3 Reporting Accountants' letter on the consolidated profit forecast



The Board of Directors  
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AF 1146  
Chartered Accountants  
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Telephone +60(9)5551896  
Facsimile +60(9)5131246

19 September 2002


Dear Sirs


**KINSTEEL BHD  
CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2002**

We have reviewed the accounting policies and calculations for the consolidated profit forecast of Kinsteel Bhd and its subsidiaries ('Kinsteel Group'), for which the Directors are solely responsible, for the financial year ending 31 December 2002 as set out in the Prospectus dated 30 September 2002 in connection with the Public Issue of 10,000,000 new ordinary shares of RM1.00 each and the Offer for Sale of 5,100,000 ordinary shares of RM1.00 each in Kinsteel Bhd at an issue/offer price of RM1.80 per share and the listing of and quotation for the entire enlarged issued and paid up share capital of 60,000,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and is presented on a basis consistent with the accounting policies normally adopted by Kinsteel Group.

Yours faithfully,

  
PRICEWATERHOUSECOOPERS  
[AF : 1146]  
Chartered Accountants

  
DATO' CHEONG KEAP TAI  
[1129/12/03(J/PH)]  
Partner of the firm

## 11. FINANCIAL INFORMATION (Cont'd)

### 11.3.4 Financial performance of Kinsteel in the event the current exemption granted by MITI to Kinsteel from compliance with MITI's export condition is not extended by MITI after 31 December 2003

The manufacturing licences issued by MITI to Kinsteel for the manufacture of steel bars stipulates, *inter-alia*, that Kinsteel is required to export at least 50% of its steel products ("Export Condition"). However, MITI had vide its letter dated 6 September 2001 granted Kinsteel an exemption from the Export Condition ("Exemption") which shall expire on 31 December 2003.

In its application to the SC dated 13 September 2000, Kinsteel had included therein its consolidated profit after tax projections for the 4 financial years ended/ending 31 December 2000 to 2003 in accordance with the SC's requirement.

As the Exemption may or may not be extended by MITI after 31 December 2003, the SC in its evaluation of Kinsteel's aforesaid application for a proposed flotation on the Main Board of the KLSE, had requested Kinsteel to prepare a set of profit projections for the 3 financial years ending 31 December 2004 to 2006 assuming the Exemption is not extended after 31 December 2003 ("Profit Projections"). Accordingly, Kinsteel had submitted the Profit Projections requested by the SC on 29 November 2001.

Subsequently, the SC approved the Flotation Scheme vide its approval letter dated 24 January 2002 subject to, *inter-alia*, the following conditions:-

- (i) the Board of Directors of Kinsteel is required to furnish a written declaration to the SC that the financial projections of Kinsteel in the event the Exemption is not extended by MITI after 31 December 2003, are as per those previously furnished by Kinsteel to the SC on 29 November 2001; and
- (ii) the Company to disclose in the Prospectus the contents of the aforesaid written declaration and the effects on the financial results of Kinsteel in the event the Exemption is not extended by MITI after 31 December 2003.

In compliance with the aforesaid conditions, the Directors of Kinsteel had on 24 September 2002 furnished statutory declarations to the SC to confirm that the earnings of the Kinsteel Group for the financial years ending 31 December 2004 to 2006 would not be materially affected in the event the Exemption is not extended by MITI after 31 December 2003 premised on the following assumptions:

- (i) In compliance with the Export Condition, Kinsteel would be able to export 50% of its steel bars to ASEAN countries.
- (ii) The Common Effective Preferential Tariff Scheme for AFTA would take effect from 1 January 2004.
- (iii) The gross selling price of Kinsteel's steel bars for the domestic and export markets would range between RM880 and RM1,200 per mt.
- (iv) The cost of local and imported billets would range between RM646 and RM654 per mt and could be sourced from both local and foreign markets.
- (v) The exchange rate of USD1.00 = RM3.80 remain unchanged.

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**11. FINANCIAL INFORMATION (Cont'd)**


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**11.4 DIVIDEND FORECAST**

It is the policy of the Directors in recommending dividends to allow shareholders to participate in the profit of the Company as well as retaining adequate reserves for its future growth.

Based on the forecast consolidated profit after taxation for the financial year ending 31 December 2002 of RM11,024,000, the Directors of the Company anticipate that in the absence of unforeseen circumstances, the Company will be in a position to propose a tax-exempt dividend of 3 sen per Kinsteel Share for the financial year ending 31 December 2002 based on the entire enlarged issued and paid-up share capital of 60,000,000 Kinsteel Shares.

The intended appropriation of the forecast consolidated profit after taxation of Kinsteel for the financial year ending 31 December 2002 is as follows:

Year ending 31 December 2002	Forecast RM'000
Consolidated profit before taxation	12,655
Less: Taxation	(1,631)
Consolidated profit after taxation	11,024
Less: Proposed tax-exempt dividend	(1,800)
Retained profit for the year	9,224
Tax-exempt dividend per Share (sen)	3.0
Tax-exempt dividend yield based on the issue/offer price of RM1.80 per Share (%)	1.7
Tax-exempt dividend cover (times)	6.1

Investors should note that future dividends may not be declared or paid if:

- (i) the Group is in a loss position for the relevant financial year; or
- (ii) the Group has insufficient cash flows to meet any dividend payments.

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## 11. FINANCIAL INFORMATION (Cont'd)

## 11.5 PROFORMA CONSOLIDATED BALANCE SHEETS

	Audited consolidated balance sheet as at 30 April 2002 RM'000	Proforma I  After Conversion of Preference Shares RM'000	Proforma II  After Proforma I and Bonus Issue RM'000	Proforma III  After Proforma II and Public Issue RM'000
<b>Non current assets</b>				
Property, plant and equipment	119,905	119,905	119,905	119,905
<b>Current assets</b>				
Inventories	22,912	22,912	22,912	22,912
Receivables, deposits and prepayments	56,815	56,815	56,815	56,815
Tax recoverable	68	68	68	68
Deposits, bank and cash balances	16,724	16,724	16,724	16,724
	96,519	96,519	96,519	96,519
<b>Less: Current liabilities</b>				
Payables	15,449	15,449	15,449	15,449
Borrowings (interest bearing)	93,733	93,733	93,733	84,228
Current tax liabilities	271	271	271	271
	109,453	109,453	109,453	99,948
<b>Net current liabilities</b>	(12,934)	(12,934)	(12,934)	(3,429)
<b>Less: Non current liabilities</b>				
Borrowings (interest bearing)	22,661	22,661	22,661	15,966
Deferred tax liabilities	13	13	13	13
	22,674	22,674	22,674	15,979
	84,297	84,297	84,297	100,497
<b>Capital and reserves</b>				
Share capital	24,583	21,497	50,000	60,000
Share premium	-	3,086	-	6,200
Retained earnings	59,714	59,714	34,297	34,297
Shareholders' equity	84,297	84,297	84,297	100,497
NTA per ordinary share (RM)	4.47	3.92	1.69	1.67

**11. FINANCIAL INFORMATION (Cont'd)****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS****1. BASIS OF PREPARATION**

- 1.1 The proforma consolidated balance sheets of Kinsteel Group have been prepared for illustrative purposes only to show the effects on the audited balance sheet of Kinsteel Group as at 30 April 2002 had the transactions referred to in Note 2 have been effected on that date.
- 1.2 The proforma consolidated balance sheets of Kinsteel Group have been prepared based on the audited balance sheet of Kinsteel Group as at 30 April 2002, and the accounting policies and bases are consistent with those normally adopted by Kinsteel Group in the preparation of its audited financial statements.

**2. EFFECTS ON THE PROFORMA CONSOLIDATED BALANCE SHEETS**

- 2.1 The proforma consolidated balance sheets incorporate the effects of the following transactions as though they were effected on 30 April 2002.

**2.2 Proforma I**

- Conversion of 4,800,003 redeemable convertible preference shares (RCPS) of RM1.00 each into 1,714,287 new ordinary shares of RM1.00 each in Kinsteel Bhd credited as fully paid up at RM2.80 RCPS for 1 new ordinary share of RM1.00 each in Kinsteel Bhd.
- Conversion of 2,571,433 special redeemable convertible preference shares (SRCPS) of RM1.00 each into 2,571,433 new ordinary shares of RM1.00 each in Kinsteel Bhd credited as fully paid up at RM1.00 SRCPS for 1 new ordinary share of RM1.00 each in Kinsteel Bhd.

The new ordinary shares of RM1.00 each in Kinsteel Bhd to be issued pursuant to the conversion of RCPS and SRCPS will rank pari passu with the existing ordinary shares of RM1.00 each in Kinsteel Bhd.

**2.3 Proforma II**

Bonus Issue of 28,502,841 new ordinary shares of RM1.00 each in Kinsteel Bhd on the basis of approximately 1,326 new ordinary shares of RM1.00 each in Kinsteel Bhd for every 1,000 existing ordinary shares of RM1.00 each in Kinsteel Bhd held after the conversion of the RCPS and SRCPS by capitalising RM3,085,716 from the share premium account and RM25,417,125 from the retained earnings of Kinsteel Bhd.

The new ordinary shares of RM1.00 each in Kinsteel Bhd to be issued pursuant to the Bonus Issue will rank pari passu with the existing ordinary shares of RM1.00 each in Kinsteel Bhd.

**11. FINANCIAL INFORMATION (Cont'd)**

## 2.4 Proforma III

- Public Issue of 10,000,000 new ordinary shares of RM1.00 each in Kinsteel Bhd at an issue price of RM1.80 per ordinary share to the Malaysian Public, eligible employees, customers and Directors of Kinsteel Group.
- The gross proceeds of the Public Issue of RM18,000,000 will be utilised as follows:

	RM'000
Working capital	8,077
Repayment of bank borrowings	8,123
Share issue expenses	1,800
	<u>18,000</u>

Share issue expenses of RM1,800,000 will be written off against the share premium account.

## 3. The movement in the share capital and share premium accounts are as follows:

	Issued and fully paid up ordinary shares of RM1.00 each RM'000	Issued and fully paid up RCPS of RM1.00 each RM'000	Issued and fully paid up SRCPS of RM1.00 each RM'000	Total share capital RM'000	Share premium RM'000
As at 30 April 2002	17,212	4,800	2,571	24,583	-
Conversion of RCPS	1,714	(4,800)	-	(3,086)	3,086
Conversion of SRCPS	2,571	-	(2,571)	-	-
<b>Per Proforma I</b>	<b>21,497</b>	-	-	<b>21,497</b>	<b>3,086</b>
Bonus Issue	28,503	-	-	28,503	(3,086)
<b>Per Proforma II</b>	<b>50,000</b>	-	-	<b>50,000</b>	-
Public Issue	10,000	-	-	10,000	8,000
Share issue expenses	-	-	-	-	(1,800)
<b>Per Proforma III</b>	<b>60,000</b>	-	-	<b>60,000</b>	<b>6,200</b>

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11. FINANCIAL INFORMATION (Cont'd)

11.6 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

PRICEWATERHOUSECOOPERS 

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Telephone +60(9)5551896  
Facsimile +60(9)5131246

19 September 2002


Dear Sirs


**KINSTEEL BHD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 APRIL 2002**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Kinsteel Bhd and its subsidiaries ('Kinsteel Group') as at 30 April 2002, together with the notes and assumptions thereon, for which the Directors are solely responsible, as set out in the Prospectus dated 30 September 2002 in connection with the Public Issue of 10,000,000 new ordinary shares of RM1.00 each and the Offer for Sale of 5,100,000 ordinary shares of RM1.00 each in Kinsteel Bhd at an issue/offer price of RM1.80 per share and the listing of and quotation for the entire enlarged issued and paid up share capital of 60,000,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.

Based on the results of our review, we confirm that the Proforma Consolidated Balance Sheets of Kinsteel Group as at 30 April 2002, which are provided for illustrative purposes only has been properly compiled on the bases set out in the notes and assumptions to the Proforma Consolidated Balance Sheets.

Yours faithfully,

  
PRICEWATERHOUSECOOPERS  
[AF : 1146]  
Chartered Accountants

  
DATUK CHEONG KEAP TAI  
[1129/12/03(J/PH)]  
Partner of the firm