

10. FINANCIAL INFORMATION**10.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF THE MSB GROUP**

The following table sets forth a summary of the proforma consolidated income statements of the MSB Group for the past five (5) FYE 31 January 2004 based on the assumption that the MSB Group has been in existence throughout the years under review. The proforma consolidated income statements is presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set forth in **Section 11** of this Prospectus.

	Year ended 31 January [#]				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Gross Revenue	197,927	181,724	160,194	201,085	269,577
Less:					
Cost of sales ^{* Note 1}	156,628	147,455	139,155	162,744	231,978
Gross profit	41,299	34,269	21,039	38,341	37,599
Add:					
Other operating income	284	286	1,538	1,226	796
	41,583	34,555	22,577	39,567	38,395
Less:					
Selling and distribution expenses	3,435	3,198	2,588	2,682	1,894
General and administrative expenses ^{* Note 1}	1,281	1,301	936	2,991	1,956
Finance costs	52	-	-	-	1,896
	4,768	4,499	3,524	5,673	5,746
PBT	36,815	30,056	19,053	33,894	32,649
Tax (expense)/income	(30)	(63)	18,556	(9,949)	9,079
PAT	36,785	29,993	37,609	23,945	23,570
Gross EPS (RM)	0.27	0.22	0.14	0.25	0.24
Net EPS (basic) (RM)	0.27	0.22	0.28	0.18	0.18
Net EPS (fully diluted) (RM)	0.21	0.17	0.21	0.13	0.13
* Note 1:					
Depreciation included under:					
- cost of sales	10,585	10,319	9,909	9,288	9,037
- general and administrative expenses	61	60	17	35	118
	10,646	10,379	9,926	9,323	9,155

Note:

The Group's proforma consolidated financial results were prepared based on the audited financial statements of MSCRC after making relevant adjustments that the Reporting Accountants considered necessary under the circumstances. (Please refer to the Accountant's Report set out in **Section 11** of this Prospectus).

The MSB Group did not report any extraordinary or exceptional items in its audited accounts for the periods under review.

The MSB Group's audited financial statements for the past five (5) FYE 31 January 2004 have not been subjected to any audit qualification. Detailed information on the proforma consolidated results of the MSB Group is set forth in **Section 11** of this Prospectus.

10. FINANCIAL INFORMATION**10.1.1 Segmental Data**

There would be no breakdown and analysis of turnover and profits for the MSB Group by activity, product or division as the Group is solely involved in the business of manufacturing and trading of a single product, namely CRC.

The breakdown and analysis of revenue and profits by market are as follows:-

Market	FYE 31 January 2004			
	Revenue		Gross Profit	
	RM'000	%	RM'000	%
Export	12,149	4.5	1,720	4.5
Local	257,428	95.5	35,879	95.5
Total	269,577	100.0	37,599	100.0

10.1.2 Directors' Declaration on Financial Performance

Save as disclosed in **Section 4** of this Prospectus, the financial conditions and operations of the Group are not affected by any of the following:

- (a) any known trends, demands, commitments, events of uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the MSB Group;
- (b) any material commitments for capital expenditure;
- (c) any unusual, infrequent events or transactions or any significant economic changes that have materially effected the financial performance, position and operations of the MSB Group; and
- (d) any 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.

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10. FINANCIAL INFORMATION**10.2 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENT AND MATERIAL LITIGATION****(i) Working Capital**

The Directors of MSB are of the opinion that, after taking into account the forecast consolidated cashflows, banking facilities available and the gross proceeds from the Public Offer, the MSB Group will have adequate working capital for the next 12 months from the date of this Prospectus.

(ii) Borrowings

As at 30 April 2004, being the last practicable date prior to the printing of this Prospectus, the Group's total borrowings amounted to the following:-

	As at 31 January 2004 (Audited) RM'000	As at 30 April 2004 (Unaudited) RM'000
Short term		
Interest bearing	61,589	65,499
Long term		
Interest bearing	-	-
	61,589	65,499

The MSB Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof up to 30 April 2004 being the last practicable date prior to the printing of this Prospectus.

(iii) Contingent Liabilities

As at 30 April 2004, being the last practicable date prior to the printing of this Prospectus, the Directors of MSB are not aware of any contingent liabilities incurred by the MSB Group which, upon becoming enforceable, may have a material impact on the financial position of the MSB Group.

(iv) Material Commitment

Save as disclosed in **Section 9.4** of this Prospectus, as at 30 April 2004, being the last practicable date prior to the printing of this Prospectus, the Directors of MSB are not aware of any material commitment contracted or known to be contracted by the MSB Group which, upon becoming enforceable, may have a material impact on the financial position of the MSB Group.

(v) Material Litigation

As at 30 April 2004, being the last practicable date prior to the printing of this Prospectus, the MSB Group is not engaged in any litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the MSB Group, and the Directors of MSB are not aware 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 the MSB Group.

10. FINANCIAL INFORMATION**10.3 CONSOLIDATED PROFIT FORECAST**

The Directors of MSB forecast that, the consolidated profit forecast for MSB for the financial year ending 31 January 2005 will be as follows:

	FYE 31 January 2005 RM'000
Revenue	<u>307,360</u>
PBT	35,103
Less: Taxation	<u>(10,000)</u>
PAT	25,103
Less: Pre-Acquisition profit	<u>4,015</u>
Net Profit	<u>21,088</u>
Enlarged issued and paid-up share capital	179,000
Weighted average number of shares	141,677
Gross EPS (sen)	24.8
Net EPS before pre-acquisition profit (sen)	17.7
Net EPS after pre-acquisition profit (sen)	14.9
Gross PE multiple	5.65
Net PE multiple before pre-acquisition profit	7.91
Net PE multiple after pre-acquisition profit	9.40
Gross profit margin (%)	13.8
Pretax profit margin	11.4

10.3.1 The principal bases and assumptions upon which the consolidated profit forecast for the FYE 31 January 2005 have been made are as follows:

1. There will be no significant changes in the principal activities, management structure, accounting and business operating policies adopted by the Group.
2. There will be no significant changes in the prevailing economic conditions in Malaysia and elsewhere which will directly or indirectly have an adverse effect on the activities or performance of the Group.
3. There will be no significant changes in raw material costs, forecast selling prices, sales volume and sales mix of the Group.
4. There will be no significant changes in the present government regulations and legislations, which would adversely affect the operations of the Group or the markets in which it operates.

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5. There will be no significant changes in the rates and bases of taxation and other duties applicable to the Group from the current levels. The Malaysian income tax rate relevant to the Group is expected to remain at 28%.
6. 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 the Group.
7. Capital expenditure will be incurred as planned and there will be no significant disposal of property, plant and equipment, which gives rise to significant profit and loss on disposal.
8. Existing financial facilities will remain available with no significant changes in the interest rates and the Group will be able to procure sufficient financing activities for working capital purposes, if necessary.
9. The Group will not engage in any material litigation and there will be no legal proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any contingent liabilities which will materially affect the position or business of the Group.
10. The acquisition of MSCRC by MSB was completed on 29 March 2004.
11. MSCRC will be consolidated on the acquisition method of accounting. The net consolidated profit forecast will accordingly exclude the pre-acquisition profit of MSCRC.
12. The domestic inflation rate and the exchange rates of Ringgit Malaysia against the relevant foreign currencies will not change materially from the current levels.
13. There will be no significant changes in the existing key personnel and management of the Group that will adversely affect the marketing capability and level of activities of the Group.
14. There will be no significant changes in operating expenses including wages, cost of supplies, administration and overhead expenses and other costs other than those forecast.
15. There are no shortages in terms of production capacity to meet the increase in the demand of cold rolled steel sheets in coils.
16. The gross proceeds of RM62,913,200 will be from the Public Offer of 44,938,000 new ordinary shares of RM1.00 each in MSB at an issue price of RM1.40 per share. The gross proceeds are assumed to be received in June 2004 and will be utilized as follows:

	RM'000
Repayment of bank borrowings	25,000
Working capital for the Group	34,913
Estimated listing expenses	3,000
	62,913

The estimated listing expenses of RM3,000,000 will be written off against the Share Premium Account.

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10.3.2 Directors' commentary on the achievability of the profit forecast

The Board of Directors of MSB has reviewed and analysed the bases and assumptions used in arriving at the consolidated profit forecast of the MSB Group for the FYE 31 January 2005 and are of the opinion that the consolidated forecast is fair and reasonable in light of the prospects of the steel industry in which it operates and the future plans, strategies and prospects of the Group as set put in **Section 8.7** of this Prospectus and after taking into consideration the forecast gearing level, liquidity and working capital requirements of the Group.

The Board of Directors of MSB expects the Group to achieve revenue of RM307.4 million for the financial year ending 31 January 2005, which represents a 14.0% increase from the proforma consolidated turnover for the financial year ended 31 January 2004. The improvement is mainly due to rising steel prices for year 2004.

In tandem with the surge in turnover, PBT is forecasted to increase by 7.5% to RM35.1 million compared to the previous financial year. Consequently, MSB is expected to register a PAT of RM25.1 million.

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10. FINANCIAL INFORMATION

10.4 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST

(Prepared for inclusion in this Prospectus)



Partners/Directors
Dato' Koay Soon Eng
Ong Eng Loo
Tang Kin Kheong
Jean Gan Morn Ghuat
Tang Chin Fook

14 May 2004

The Board of Directors
Mycron Steel Berhad
Suite 20.03, 20th Floor
Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur

Dear Sirs

**CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 JANUARY 2005**

We have reviewed the consolidated profit forecast of Mycron Steel Berhad ("MSB") for the year ending 31 January 2005 as set out in the accompanying statement (which has been stamped for the purpose of identification) in accordance with the *International Standards on Auditing (ISA 810 - The Examination of Prospective Financial Information)* applicable to the review of forecast. The forecast has been prepared for the inclusion in the Prospectus to be dated 25 May 2004 in connection with the following, and should not be relied on for any other purposes.

- i) Public offer of 44,938,000 new ordinary shares of RM1.00 each at an offer price of RM1.40 per share, and
- ii) Listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of MSB on the Main Board of Bursa Malaysia Securities Berhad.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by MSB and its subsidiary, Mycron Steel CRC Sdn Bhd ("MSCRC", *formerly known as Cold Rolling Industry (Malaysia) Sdn Bhd*), together known as "Group" in their respective audited financial statements for the year ended 31 January 2004. The Directors of the Group are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.