

10. FINANCIAL INFORMATION

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

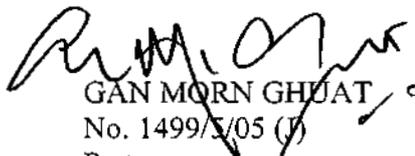
Nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit forecast.

In our opinion, the consolidated profit forecast, so far as the calculations are concerned, 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 MSCRC in their respective audited financial statements for the year ended 31 January 2004.

Yours faithfully



MOORES ROWLAND
No. AF:0539
Chartered Accountants



GAN MORN GHIAT
No. 1499/5/05 (J)
Partner

10. FINANCIAL INFORMATION**MYCRON STEEL BERHAD****CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 JANUARY 2005**

The Directors of the Group forecast that the consolidated results for the year ending 31 January 2005, based on the assumptions set out below, will be as follows:

	Forecast RM'000
Gross revenue	307,360 =====
Profit before tax	35,103
Tax expense	10,000 -----
Profit after tax	25,103
Less:	
Pre-acquisition profit	4,015 -----
Net profit	21,088 =====
Number of ordinary shares in issue after public offer ('000)	179,000
Weighted average number of ordinary shares in issue after public offer ('000)	141,677 =====
Gross earnings per share (sen)	24.8
Net earnings per share before pre-acquisition profit (sen)	17.7
Net earnings per share after pre-acquisition profit (sen)	14.9 =====
Gross price-earnings multiple (times)	5.65
Net price-earnings multiple before pre-acquisition profit (times)	7.91
Net price-earnings multiple after pre-acquisition profit (times)	9.40 =====

Note: The gross/net price-earnings multiple is computed based on the offer price of RM1.40 per share



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

General Assumptions

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 material changes in the present government regulations and legislation, which would adversely affect the operations of the Group or the markets in which it operates.
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 facilities 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.



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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 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 utilised as follows:

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

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



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10. FINANCIAL INFORMATION**10.5 CONSOLIDATED CASH FLOW FORECAST**

The Directors of MSB forecast that, the consolidated cash flow forecast for MSB for the FYE 31 January 2005 will be as follows:

	RM '000
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	300,206
Cash paid to suppliers and employees	(251,946)
Cash generated from operations	48,260
Tax paid	(2,500)
Net cash from operating activities	45,760
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(169)
Interest received	600
Net cash used in investing activities	431
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment for estimated listing expenses	(3,000)
Proceeds from initial public offer	62,913
Repayment to former holding company	(18,000)
Repayment of term loan	(25,000)
Interest paid	(3,696)
Net cash used in financing activities	13,217
NET CHANGES IN CASH AND BANK BALANCES	59,408
CASH AND BANK BALANCES BROUGHT FORWARD	6,905
CASH AND BANK BALANCES CARRIED FORWARD	66,313

The principal bases and assumptions underlying the consolidated cash flow forecast for the FYE 31 January 2005 are set out below. These assumptions are to be read in conjunction with the assumptions underlying the Group's consolidated profit forecast.

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

1. The acquisition of MSCRC by MSB was completed on 29 March 2004.
2. Cash receipts from customers are expected to be paid within the normal credit period extended to customers.
3. Payment to suppliers are expected to be paid within the normal credit period extended to the Group.
4. Selling and distribution expenses, administrative expenses and general expenses, finance costs and staff costs will be paid as incurred.
5. Tax payment is expected to be made within the financial year the taxable profits are earned.
6. 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 expected to be received in June 2004 and will be utilized as follows:

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

7. A first and final dividend of 7% tax exempt will be declared for the FYE 31 January 2005 and payable in the FYE 31 January 2006.

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