

## 10. FINANCIAL INFORMATION

### 10.7 DIVIDEND FORECAST AND POLICY

MSB intends to pursue a dividend policy in line with its profitability which would allow its shareholders to participate in the profits of the Group as well as leaving adequate reserves for its future growth and expansion.

Based on the Group's consolidated profit forecast for the FYE 31 January 2005, on the assumption that the current basis for calculating taxation and the rates of taxation remain unchanged, the Directors of MSB anticipate that MSB would be in a position to propose a tax-exempt dividend of 7% for the FYE 31 January 2005 based on the issued and paid up share capital of 179,000,000 Shares.

It will be the policy of the Directors of MSB in recommending dividends to allow shareholders to participate in the profits of the MSB Group as well as leaving adequate reserves for the future growth of the MSB Group.

Notwithstanding the above, the Directors have full discretion to propose the waiver of any future dividend payment as and when deemed necessary, if it is in the best interests of the Company to do so.

The intended appropriation of the consolidated profit forecast for the FYE 31 January 2005 is as follows:-

FYE 31 January 2005	Forecast RM '000
Consolidated PBT	35,103
Less: Taxation	(10,000)
Consolidated PAT	25,103
Less: Pre-acquisition profit	(4,015)
	21,088
Less: Proposed dividend (less 28% tax)	(12,530)
Consolidated retained profit for the year	8,558
Net dividend per Share (sen)	7.0
Net dividend rate (%)	7.0
Net dividend yield based on the offer price of RM1.40 per Share (%)	5.0
Net dividend cover (times)	1.68

Future dividends will be waived if:

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

### 10.8 SENSITIVITY ANALYSIS

The principal bases and assumptions upon which the sensitivity analysis on the MSB Group's consolidated forecast PAT has been made as follows:

- (i) The selected variable will vary  $\pm 5\%$  and  $\pm 10\%$  from the base case;
- (ii) The MSB Group's gross profit margin will be maintained at the same percentage as in the base case; and

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- (iii) Except for the selected sensitized items, the same assumptions for the other items in the base case shall apply.

The following scenarios attempts to show the impact on profit resulting from the changes in sales volume, selling price of products as well as cost of sales:

**(a) Changes in sales volume**

FYE 31 January	Forecast 2005	
	RM '000	%
Base case PAT	21,088	
PAT resulting from the change in sales volume by:		
+5%	21,914	3.9
+10%	22,909	8.6
-10%	18,845	(10.6)
-5%	19,840	(5.9)

**(b) Changes in selling price of products**

FYE 31 January	Forecast 2005	
	RM '000	%
Base case PAT	21,088	
PAT resulting from the change in selling price by:		
+5%	30,135	42.9
+10%	39,019	85.0
-10%	2,430	(88.5)
-5%	14,672	(30.4)

**(c) Changes in cost of sales**

FYE 31 January	Forecast 2005	
	RM '000	%
Base case PAT	21,088	
PAT resulting from the change cost of sales by:		
+5%	16,782	(20.4)
+10%	12,695	(39.8)
-10%	28,958	37.3
-5%	24,955	18.3

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**10. FINANCIAL INFORMATION****10.9 PROFORMA CONSOLIDATED BALANCE SHEETS**

The proforma consolidated balance sheets of the Group as set out below are provided for illustrative purposes only to show the effects of the MSCRC Acquisition and Public Offer on the assumption that the Listing is completed on 31 January 2004.

	Audited as at 31 January 2004 RM'000	After MSCRC Acquisition RM'000	After MSCRC Acquisition and Public Offer RM'000
PROPERTY, PLANT AND EQUIPMENT	-	126,879	126,879
CURRENT ASSETS			
Inventories	-	46,542	46,542
Trade and other receivables	-	33,114	33,114
Amount owing by holding company	-	2,959	2,959
Amount owing by related company		726	726
Time deposits	-	1,400	1,400
Cash and bank balances	*	5,504	40,417
Less:	-	90,245	125,158
CURRENT LIABILITIES			
Trade and other payables	6	6,806	6,806
Amount owing to holding company	-	11,500	11,500
Bank borrowing		61,589	36,589
Tax payable	-	27	27
	6	79,922	54,922
NET CURRENT (LIABILITIES) / ASSETS	(6)	10,323	70,236
	(6)	137,202	197,115
Financed by:			
SHARE CAPITAL	*	134,062	179,000
SHARE PREMIUM	-	-	14,975
(ACCUMULATED LOSS) / UNAPPROPRIATED PROFIT	(6)	2,133	2,133
SHAREHOLDERS' EQUITY	(6)	136,195	196,108
DEFERRED TAX LIABILITY	-	1,007	1,007
	(6)	137,202	197,115
NTA per share	(3,000)	1.02	1.10

Note:

\* Represents issued and paid-up share capital of 2 ordinary shares of RM1 each

**Notes to the Proforma Balance Sheets**

The proforma consolidated balance sheets are prepared based on the audited balance sheets of MSB and MSCRC as at 31 January 2004 and are based on accounting principles and bases consistent with those normally adopted by the Group.

The proforma consolidated balance sheets have been adjusted to reflect the following events, on the assumption that they had been completed on 31 January 2004:

**10. FINANCIAL INFORMATION****(i) Acquisition of MSCRC**

MSB will acquire the entire issued and paid-up share capital of MSCRC comprising 60,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM134,061,998 from MIG.

The purchase consideration will be satisfied entirely through the issue of 134,061,998 new ordinary shares of RM1.00 each in MSB at an issue price of RM1.00 per share.

**(ii) Public Offer**

The proceeds from the Public Offer totalling RM62,913,200 (44,938,000 shares at RM1.40 per share) will be utilised as follows:

	<b>RM</b>
Repayment of bank borrowings	25,000,000
Working capital for the Group	34,913,200
Estimated listing expenses	<u>3,000,000</u>
	<u>62,913,200</u>

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

**10.10 ADDITIONAL DISCLOSURE ON TRADE DEBTORS**

As at 30 April 2004, being the last practicable date prior to the printing of this Prospectus, the Company has trade debts amounting RM42,576,293. However, there are no non-performing trade debts owing from customers that exceeds its normal credit period of 60 days. An analysis of the MSB Group's debtor's ageing is provided below:

<b>Debtors Ageing</b>	<b>0 – 60 days</b>	<b>61 – 90 days</b>	<b>90 – 120 days</b>	<b>Total</b>
Amount owing as at 30 April 2004	RM38,720,354	RM3,207,488	RM648,451	42,576,293

As at 30 April 2004, there are no trade debts exceeding six (6) months and management is confident of being able to recover in full all the remaining trade debts exceeding the normal credit period.

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**10.11 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEET**

(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, 20<sup>th</sup> Floor  
Menara MAA  
No.12 Jalan Dewan Bahasa  
50460 Kuala Lumpur

Dear Sirs

**PROFORMA CONSOLIDATED BALANCE SHEETS  
AT 31 JANUARY 2004**

We have reviewed the proforma consolidated balance sheets of Mycron Steel Berhad ("MSB") at 31 January 2004 together with the notes thereon, for which the Directors of MSB are solely responsible, as set out in the accompanying statement (which has been stamped for the purpose of identification). The proforma consolidated balance sheets have 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) Acquisition of the entire issued and paid-up share capital of Mycron Steel CRC Sdn Bhd ("MSCRC", *formerly known as Cold Rolling Industry (Malaysia) Sdn Bhd*).
- ii) Public offer of 44,938,000 new ordinary shares of RM1.00 each at an offer price of RM1.40 per share.
- iii) 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.

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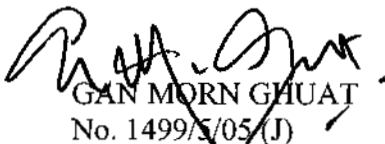
**10. FINANCIAL INFORMATION**

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In our opinion, the proforma consolidated balance sheets together with the notes thereon, which are provided for illustrative purposes only, have been properly compiled on the accounting principles and bases consistent with those normally adopted by the Group and the adjustments are appropriate for the purposes of proforma consolidated balance sheets.

Yours faithfully

  
MOORES ROWLAND  
No. AF:0539  
Chartered Accountants

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

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**MYCRON STEEL BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS**  
**AT 31 JANUARY 2004**

The proforma consolidated balance sheets of the Group as set out below are provided for illustrative purposes only to show the effects of the acquisition of MSCRC and public offer on the assumption that they have been completed on 31 January 2004.

	Audited as at 31 January 2004 RM'000	After acquisition of MSCRC RM'000	After acquisition and public offer RM'000
PROPERTY, PLANT AND EQUIPMENT	-	126,879	126,879
<b>CURRENT ASSETS</b>			
Inventories	-	46,542	46,542
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Cash and bank balances	*	5,504	40,417
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	-	90,245	125,158
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Less:			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	6,806	6,806
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Tax payable	-	27	27
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	6	79,922	54,922
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<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(6)	10,323	70,236
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	(6)	137,202	197,115
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Financed by:			
SHARE CAPITAL	*	134,062	179,000
SHARE PREMIUM	-	-	14,975
ACCUMULATED LOSS/ UNAPPROPRIATED PROFIT	(6)	2,133	2,133
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SHAREHOLDERS' EQUITY	(6)	136,195	196,108
DEFERRED TAX LIABILITY	-	1,007	1,007
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	(6)	137,202	197,115
	-----	-----	-----
<b>NTA per share (RM)</b>	(3,000)	1.02	1.10
	-----	-----	-----

\* Represents issued and paid-up share capital of 2 ordinary shares of RM1 each



**10. FINANCIAL INFORMATION****MYCRON STEEL BERHAD****NOTES TO PROFORMA CONSOLIDATED BALANCE SHEETS**

1. The proforma consolidated balance sheets have been prepared for illustrative purposes only. They are based on the audited balance sheets of MSB and MSCRC at 31 January 2004 and compiled on the accounting principles and bases consistent with those normally adopted by the Group.
2. The proforma consolidated balance sheets have been adjusted to reflect the effects of the acquisition and public offer on the assumption that they had been completed on 31 January 2004.

*(i) Acquisition of MSCRC*

MSB will acquire the entire issued and paid-up share capital of MSCRC comprising 60,000,000 ordinary shares of RM1.00 each at a total purchase consideration of RM134,061,998 from Melawar Industrial Group Berhad (*formerly known as Maruichi Malaysia Steel Tube Berhad*).

The purchase consideration will be satisfied entirely through the issue of 134,061,998 new ordinary shares of RM1.00 each in MSB at an issue price of RM1.00 per share.

*(ii) Public Offer*

The proceeds from the public offer totaling RM62,913,200 (44,938,000 shares at RM1.40 per share) will be utilised as follows:

	RM
Repayment of bank borrowings	25,000,000
Working capital of the Group	34,913,200
Estimated listing expenses	3,000,000
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	62,913,200
	=====

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



14 MAY 2004