

2. INFORMATION SUMMARY

This section is only a summary of the salient information about the MSB Group and is derived from the full text of this Prospectus. Investors should read and understand the whole Prospectus prior to deciding whether to invest in the Offer Shares of MSB.

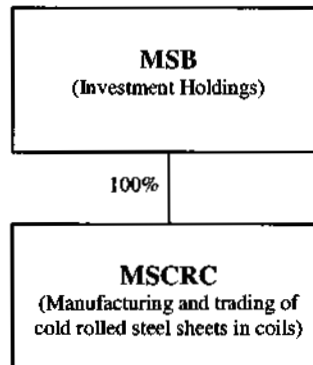
2.1 HISTORY, BACKGROUND AND PRINCIPAL ACTIVITIES

MSB was incorporated in Malaysia under the Act on 24 July 2003 as a public limited company. MSB's principal activity is investment holding.

Its wholly owned subsidiary, MSCRC, was incorporated in Malaysia under the Act on 6 January 1989 and commenced production in June 1990. MSCRC is the first CRC manufacturer in Malaysia and operates from its cold rolling mill factory located on an 18 acre site located in Shah Alam, Selangor Darul Ehsan.

Further information on the history and business of the MSB Group is set out in Section 5.1 of this Prospectus.

The corporate group structure of the MSB Group is set out below:



2.2 OWNERSHIP AND MANAGEMENT

Based on the Register of Members and Directors' Shareholdings of MSB as at 12 May 2004, being the last practicable date prior to the printing of this Prospectus, the direct and indirect interests of the Promoter, substantial shareholders, Directors and key management and technical personnel of the MSB Group in the issued and paid-up share capital of MSB after the Public Offer are as follows:

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2. INFORMATION SUMMARY

| | Nationality/ Place of Incorporation | ----- After Public Offer -----> | | | |
|---|---|---------------------------------|---|---------------------------|---|
| | | <-----Direct-----> | | <-----Indirect-----> | |
| | | Number of Shares | Percentage of enlarged share capital % | Number of Shares | Percentage of enlarged share capital % |
| <u>Promoter and Substantial Shareholder</u> | | | | | |
| MIG | Malaysia | 93,818,566 | 52.4 | - | - |
| <u>Substantial Shareholders*</u> | | | | | |
| MESB | Malaysia | - | - | 93,818,566 ^(a) | 52.4 |
| Iternum | Malaysia | - | - | 93,818,566 ^(b) | 52.4 |
| Khyra | Malaysia | - | - | 93,818,566 ^(b) | 52.4 |
| MGB | Malaysia | - | - | 93,818,566 ^(c) | 52.4 |
| MEBL | BVI | - | - | 93,818,566 ^(d) | 52.4 |
| Tunku Ya'acob | Malaysian | 500,000 | 0.3 | 93,818,566 ^(e) | 52.4 |
| Tunku Iskandar | Malaysian | - | - | 94,318,566 ^(f) | 52.7 |
| Dato' Zulkifly | Malaysian | - | - | 94,318,566 ^(f) | 52.7 |
| <u>Directors*</u> | | | | | |
| Tunku Ya'acob | Malaysian | 500,000 | 0.3 | 93,818,566 ^(e) | 52.4 |
| Tunku Iskandar | Malaysian | - | - | 94,318,566 ^(f) | 52.7 |
| Dato' Zulkifly | Malaysian | - | - | 94,318,566 ^(f) | 52.7 |
| Azlan bin Abdullah | Malaysian | 350,000 | 0.2 | - | - |
| Lim Kim Chuan | Malaysian | 350,000 | 0.2 | - | - |
| Chan Sang Whye | Malaysian | 250,000 | 0.1 | - | - |
| Dato' Abu Talib bin Mohamed | Malaysian | - | - | - | - |
| Dato' Narendrakumar | Malaysian | - | - | - | - |
| Jasani a/l Chunilal Rugnath | Malaysian | - | - | - | - |
| Chan Wan Siew | Malaysian | - | - | - | - |
| <u>Key Management and Technical Personnel*</u> | | | | | |
| Kevin Kok | Malaysian | 120,000 | 0.07 | - | - |
| Tan Kong Hooi | Malaysian | 80,000 | 0.04 | - | - |
| Lee Choo Kuang | Malaysian | 80,000 | 0.04 | - | - |
| Chin Kok Kheong | Malaysian | 80,000 | 0.04 | - | - |
| Chok Sai Khow | Malaysian | 80,000 | 0.04 | - | - |
| Musa bin Wakiman | Malaysian | 80,000 | 0.04 | - | - |

Notes:-

- (a) Deemed interested by virtue of its substantial shareholdings in MEBL
(b) Deemed interested by virtue of its substantial shareholdings in MESB
(c) Deemed interested by virtue of its substantial shareholdings in Iternum
(d) Deemed interested by virtue of its substantial shareholdings in MIG
(e) Deemed interested by virtue of his substantial shareholdings in Iternum and Khyra
(f) Deemed interested by virtue of their family relationship with Tunku Ya'acob

* Includes the 11,052,000 new MSB Shares which will be made available for application by the eligible Directors and employees of the MSB Group, the business associates of the MSB Group, the eligible Directors and employees of the MIG Group as well as the business associates of the MIG Group, on the assumption that they will subscribe in full to the MSB Shares allocated to them. Please refer to Section 3.8 of this Prospectus for further details.

Details of the Promoter, substantial shareholders, Directors, key management and technical personnel of the MSB Group and their direct and indirect interests in the issued and paid-up share capital of the MSB Group are set out in Section 6 of this Prospectus.

2. INFORMATION SUMMARY

2.3 PRODUCTS AND SERVICES

The MSB Group produces high grade CRC, which are available in various specifications, including different material specifications, surface finish, oiling requirement, flatness and hardness. The CRC is also available in three (3) different qualities depending on the intended usage. These include commercial quality, drawing quality and deep drawing quality CRC. Further information on the products and services of the MSB Group is set out in **Section 7.1** of this Prospectus.

2.4 RESEARCH AND DEVELOPMENT

The MSB Group does not have a formal research and development division for the manufacturing of its CRC as the product is generic and the nature of its products has not changed over the years. However, the MSB Group, in collaboration with its customers, develops, improves and refines its products in order to ensure continuous product development as well as to identify new applications for CRC. Further, the MSB Group regularly monitors developments in the global and local steel industry, including the development of new innovations and other technology that is useful to the Group.

2.5 PROFORMA CONSOLIDATED INCOME STATEMENTS OF THE MSB GROUP

The following table sets out a summary of the proforma consolidated income statements of the MSB Group for the past five (5) FYE 31 January 2004. 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 out in **Section 11** of this Prospectus.

| | ----- FYE 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 | <u>156,628</u> | <u>147,455</u> | <u>139,155</u> | <u>162,744</u> | <u>231,978</u> |
| Gross profit | 41,299 | 34,269 | 21,039 | 38,341 | 37,599 |
| Add: | | | | | |
| Other operating income | <u>284</u> | <u>286</u> | <u>1,538</u> | <u>1,226</u> | <u>796</u> |
| | 41,583 | 34,555 | 22,577 | 39,567 | 38,395 |
| Less: | | | | | |
| Selling and distribution expenses | <u>3,435</u> | <u>3,198</u> | <u>2,588</u> | <u>2,682</u> | <u>1,894</u> |
| General and administrative expenses * Note 1 | <u>1,281</u> | <u>1,301</u> | <u>936</u> | <u>2,991</u> | <u>1,956</u> |
| Finance costs | <u>52</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,896</u> |
| | 4,768 | 4,499 | 3,524 | 5,673 | 5,746 |
| PBT | 36,815 | 30,056 | 19,053 | 33,894 | 32,649 |
| Tax (expense)/income | <u>(30)</u> | <u>(63)</u> | <u>18,556</u> | <u>(9,949)</u> | <u>(9,079)</u> |
| PAT | <u>36,785</u> | <u>29,993</u> | <u>37,609</u> | <u>23,945</u> | <u>23,570</u> |
| 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 |
| | <u>10,646</u> | <u>10,379</u> | <u>9,926</u> | <u>9,323</u> | <u>9,155</u> |

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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) financial years have not been subjected to any audit qualification. Detailed information on the proforma consolidated income statements of the MSB Group is set out in Section 11 of this Prospectus.

2.6 PROFORMA CONSOLIDATED BALANCE SHEETS OF THE MSB GROUP AS AT 31 JANUARY 2004

The following table sets out a summary of the proforma consolidated balance sheets of the MSB Group as at 31 January 2004, for illustrative purposes only, to show the effects of the MSCRC Acquisition and the Public Offer, on the assumption that the Listing will be completed on 31 January 2004 and should be read with the notes and assumptions to the proforma consolidated balance sheets of the MSB Group as set forth in Section 10.9 of this Prospectus.

| | 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 (RM) | (3,000) | 1.02 | 1.10 |

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Note:-

* *Represents the issued and paid-up share capital of 2 Shares*

2.7 RISK FACTORS

Prospective investors, prior to making an investment in the Offer Shares, should carefully consider the risk factors inherent in and affecting the business of the MSB Group in addition to the other information contained elsewhere in this Prospectus.

The key risk factors (which may not be exhaustive) that may affect the MSB Group's future financial performance are (but are not limited to) financial risks, market risks and industry risks, and include the following:

- (i) No prior market for MSB Shares
- (ii) Capital market risks
- (iii) Business risks
- (iv) Economic and political considerations
- (v) Dependence on the manufacturing sector
- (vi) Competition
- (vii) Impact of AFTA
- (viii) Dependence on key personnel
- (ix) Future capital injections
- (x) Investment risks
- (xi) Continued control by existing shareholders
- (xii) Related party transactions
- (xiii) Litigation risks
- (xiv) Production risks
- (xv) Underwriting risks
- (xvi) Reliance on major relationships
- (xvii) Forward looking statements
- (xviii) Borrowing risk
- (xix) Foreign exchange risk
- (xx) Changes in government regulations
- (xxi) Adequacy of insurance coverage on the Group's assets
- (xxii) Environmental concerns

For details on these risk factors, please refer to **Section 4** of this Prospectus.

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2.8 PRINCIPAL STATISTICS RELATING TO THE PUBLIC OFFER

The following statistics relating to the Public Offer are derived from the full text of this Prospectus and should be read in conjunction with that text:

2.8.1 Share Capital

| | RM |
|---|--------------------|
| <i>Authorised</i> | |
| Divided into 500,000,000 Shares | <u>500,000,000</u> |
| <i>Issued and fully-paid up share capital as at the date of this Prospectus</i> | |
| 134,062,000 Shares | 134,062,000 |
| <i>To be issued pursuant to the Public Offer</i> | |
| 44,938,000 Shares | <u>44,938,000</u> |
| <i>Enlarged issued and fully paid-up share capital</i> | |
| 179,000,000 Shares | <u>179,000,000</u> |

2.8.2 Classes of Shares and Ranking

There is only one (1) class of shares in MSB, being ordinary shares of RM1.00 each. The Offer Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of MSB at the time of issue, including voting rights, and will be entitled to all rights and dividends and distribution that may be declared subsequent to the date of this Prospectus.

2.8.3 Offer Price

The Offer Price for each Offer Share (RM) 1.40

2.8.4 Market Capitalisation

Market capitalisation of MSB upon Listing, based on the offer price of RM1.40 per Offer Share 250,600,000

2.8.5 Proforma Consolidated NTA as at 31 January 2004

| | |
|--|---------|
| Proforma consolidated NTA (RM'000) | 196,108 |
| Proforma consolidated NTA per Share (RM) | 1.10 |
| Premium of Offer Price over proforma consolidated NTA per Share (RM) | 0.30 |

Details of the proforma consolidated balance sheets of the MSB Group are set out in **Section 10.9** of this Prospectus.

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2. INFORMATION SUMMARY

2.9 PROCEEDS OF THE PUBLIC OFFER AND UTILISATION

The total gross proceeds from the Public Offer of RM62.913 million is expected to be fully utilised for the core business of the Group within 12 months from the date of listing.

The total gross proceeds from the Public Offer is expected to be utilised for the following purposes:

| Purpose | Note | RM'000 | Expected Time Frame for Utilisation of Proceeds |
|------------------------------|------|---------------|---|
| Repayment of bank borrowings | (i) | 25,000 | Within 12 months after Listing |
| Estimated listing expenses | | 3,000 | Within one (1) month after Listing |
| Working capital | (ii) | 34,913 | Within 12 months after Listing |
| | | 62,913 | |

Notes:

(i) *Repayment of bank borrowings*

As at 30 April 2004, the MSB Group's total borrowings, used for working capital purposes, amounted to approximately RM65.5 million. Approximately RM25.0 million of the proceeds raised from the Public Offer will be utilised to retire MSCRC's bank borrowings. The proposed retirement of bank borrowings amounting to RM25.0 million represents approximately 38.2% of the MSB Group's total borrowings as at 30 April 2004. Based on the current prevailing interest rate applicable to the MSB Group's borrowings of approximately 6.5% per annum, the repayment is expected to contribute an interest saving of approximately RM1.63 million to the MSB Group per annum.

(ii) *Working capital*

Approximately RM34.913 million of the proceeds from the Public Offer which is earmarked for working capital will be used partly to retire MSCRC's trust receipts and/ or bankers acceptance which are used to purchase raw materials. As at 30 April 2004, the MSCRC's total revolving credit and/or bankers acceptance amounted to approximately RM65.5 million.

Detailed information on the utilisation of proceeds is set out in Section 3.11 of this Prospectus.

2.10 PROFIT AND DIVIDEND FORECAST

The following sets out a summary of the profit and dividend forecast for the financial year ending 31 January 2005 and should be read in conjunction with the accompanying notes included in the profit and dividend forecast in Sections 10.3 and 10.7 of this Prospectus.

| | FYE 31 January 2005 RM'000 |
|---|----------------------------------|
| Revenue | 307,360 |
| PBT | 35,103 |
| Less: Taxation | (10,000) |
| PAT | 25,103 |
| Less: Pre-Acquisition profit | 4,015 |
| Net Profit | 21,088 |
| Enlarged issued and paid-up share capital | 179,000 |

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| | |
|---|---------|
| 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 dividend | 7.0% |
| Dividend yield * | 5.0% |
| Net dividend cover # (times) | 1.68 |

Notes:

- ^ *EPS figures and PE multiples are calculated based on the weighted average number of shares*
* *Based on the offer price of RM1.40*
Based on the forecast net profit attributable to shareholders for FYE 2005 of RM21,088,000

2.11 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, MATERIAL COMMITMENT AND CONTINGENT LIABILITIES**2.11.1 Working Capital**

As at 30 April 2004, being the last practicable date prior to the printing of this Prospectus, the Directors of MSB are of the opinion that, after taking into account the forecast consolidated cash flows, banking facilities available and the gross proceeds from the Public Offer, the MSB Group will have sufficient working capital for a period of 12 months from the date of this Prospectus.

2.11.2 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 | - | - |
| | <u>61,589</u> | <u>65,499</u> |

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.

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2.11.3 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 financial position or business of the MSB Group.

2.11.4 Material Commitment

Save as disclosed in **Section 9.4**, 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.

2.11.5 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.

Please refer to **Section 10.2** of this Prospectus for detailed discussions of the above.

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