

VII. APPROVALS AND CONDITIONS

The approvals for the Share Split, Offer for Sale and Public Issue were obtained from the MITI on 17 May 2004, 24 May 2004 and 1 September 2004, the SC on behalf of FIC on 11 May 2004 and 5 July 2004, and the SC on 11 May 2004, 29 June 2004 and 26 October 2004. The SC has provided an extension of time of 3 months from 10 November 2004 to 10 February 2005 for MSW to implement the Listing. An application has been made to the SC for a further extension of time for a period of 1 month up to 10 March 2005 to implement the Listing. The application is currently being considered by the SC. The conditions imposed by SC on behalf of FIC, SC and MITI and the status of compliance are set out as follows:

Authority	Details of Conditions Imposed	Status of Compliance
SC and SC on behalf of FIC	(i) Full disclosure should be made by MSW in the flotation prospectus on the following:	
	(a) Availability and adequacy of supply of scrap metal for its billet manufacturing operations;	Complied. Please refer to Section V(3.5) of this Prospectus.
	(b) Measures taken/to be taken by MSW to mitigate any incidence of shortage of scrap metal; and	Complied. Please refer to Section V(3.5) of this Prospectus.
	(c) Commentary by the directors of MSW on the potential impact on MSW's performance arising from any shortage in scrap metal.	Complied. Please refer to Section V(3.5) of this Prospectus.
	(ii) With regard to trade debtors and trade creditors, MSW should:	
	(a) fully disclose the following in the flotation prospectus:	
	(aa) The trade debtors and trade creditors positions;	Complied. Please refer to Sections IX(5.3) and IX(5.4) of this Prospectus.
	(bb) Ageing analysis and comments by the Directors on the treatment of trade creditors; and	Complied. Please refer to Section IX(5.4) of this Prospectus.
	(cc) For trade debtors exceeding the credit period, comments by the Directors on the recoverability of the amount;	Complied. Please refer to Section IX(5.3) of this Prospectus.
	(b) make full provision for all overdue trade debtors (if any) which are in dispute or under legal action or for amounts which have been outstanding for more than 6 months. The Directors of MSW should confirm to the SC that this condition has been complied with prior to the flotation of MSW shares; and	Complied. The confirmation was submitted to the SC on 3 January 2005.
	(c) the Directors of MSW should confirm and submit a declaration to the SC that trade debtors exceeding the credit period, excluding those under (b) above, are recoverable and that full provision has been made to the accounts/forecast/projection;	Complied. The confirmation and declaration were submitted to the SC on 3 January 2005.
	(iii) MSW should ensure that any future related-party transactions are carried out based on arms-length basis, and on terms and conditions that are not unfavourable to MSW;	To be complied.

VII. APPROVALS AND CONDITIONS (CONT'D)

Authority	Details of Conditions Imposed	Status of Compliance
SC and SC on behalf of FIC (cont'd)	(iv) MSW should disclose the status of the utilisation of proceeds from the flotation proposal in its quarterly and annual reports until the proceeds are fully utilised;	To be complied.
	(v) As regard to MSW's office and factory building located at Bukit Raja that has yet to be issued with certificate of fitness ("CF") for occupation, MSW should:	
	(a) provide a written confirmation from the relevant consultant that the buildings erected are in-compliance with the building by-laws;	Complied. The confirmation was submitted to the SC on 3 January 2005.
	(b) provide an undertaking to the SC that it will use its best endeavour to obtain the relevant approvals for the canteen and store buildings, and CF from the relevant authority for all buildings within 1 year from the date of SC's approval for the flotation proposal;	Complied. The undertaking was submitted to the SC on 3 January 2005.
	(c) when listed, make quarterly announcements on the status of application to Bursa Securities until such approval and CF are obtained; and	To be complied.
	(d) provide SC with the status of the application on every quarterly basis until such approvals and CF are obtained;	To be complied.
	(vi) As regards to the issue of commitment by top management, Tai Hean Leng @ Tek Hean Leng as the Chief Executive Officer of MSW, should remain focused and committed on the business activities of MSW and should relinquish his interest/position in other companies outside MSW which would give rise to a conflict of interest and/or would result in Tai Hean Leng @ Tek Hean Leng being involved on full time basis in those companies, as long as he holds an executive or senior management position in MSW;	An undertaking letter from Tai Hean Leng @ Tek Hean Leng was submitted to the SC on 12 January 2005.
	(vii) As regards to the proposed equity structure of MSW pursuant to the implementation of the flotation proposal:	
(a) 30% of the enlarged share capital of MSW to be held by Bumiputera investors approved by MITI to comply with National Development Policy ("NDP") requirements; and	To be complied.	
(b) CIMB/MSW should inform SC of the status of compliance with the NDP requirement upon completion of the flotation proposal;	To be complied.	
(viii) In relation to the litigations against SSCSB by certain shareholders of MSW, all these litigations should be fully settled prior to the issue of MSW's flotation prospectus;	Complied. The confirmation was submitted to the SC on 3 January 2005.	

VII. APPROVALS AND CONDITIONS (CONT'D)

Authority	Details of Conditions Imposed	Status of Compliance
SC and SC on behalf of FIC (<i>cont'd</i>)	(ix) MSW should comply with the relevant requirements of the Policies and Guidelines on Issuc/Offer of Securities ("Issues Guidelines") relating to the implementation of the flotation proposal; and	Complied/To be complied
	(x) Upon completion of the flotation proposal, CIMB/MSW is required to confirm to SC that MSW has complied with the terms and conditions of approval and other relevant requirements as stipulated in the Issues Guidelines.	To be complied.

Pursuant to the approval letter dated 11 May 2004, the SC on behalf of FIC also noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in MSW would change arising from the implementation of the flotation proposals, as follows:

	Before Offer for Sale and Public Issue %	After Offer for Sale and Public Issue %
Bumiputera	33.52	30.08
Non-Bumiputera	50.78	65.51
Foreign	15.70	4.41
Total	100.00	100.00

Subsequently, on 5 July 2004, the SC on behalf of FIC, agreed to the revised equity structure of MSW as follows:

	Before Offer for Sale and Public Issue %	After Offer for Sale and Public Issue %
Bumiputera	33.52	30.00
Non-Bumiputera	50.78	65.59
Foreign	15.70	4.41
Total	100.00	100.00

Authority	Details of Conditions Imposed	Status of Compliance
MITI	(i) The allocation of the 11,829,000 MSW Shares will be determined by the MITI after the SC's approval for the Listing.	Complied. The approval from the MITI for the allocation of 11,829,000 MSW Shares was obtained on 1 September 2004.
	(ii) To obtain the approval of the SC for the listing scheme and to comply with the guidelines on acquisitions, mergers and takeovers.	The approval of the SC for the listing scheme was obtained on 11 May 2004.
	(iii) The recognition of Senator Dato' Ikhwan Salim bin Dato' Haji Sujak, Rosly bin Aziz, Dato' Hamzah bin Mohd Salleh, KPMNJ, CAV and CTV as Bumiputera shareholders is subject to the condition that these shareholders may only sell up to 30% of the MSW Shares held by them within 3 months from the date of Listing. The sale of the remaining 70% may be carried out in stages subject to prior approval of MITI.	Noted.

VIII. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS

1. Conflicts of Interest

- (i) None of the Directors or substantial shareholders of MSW has any interest, direct or indirect, in any business or corporations carrying on a similar trade as the Company.
- (ii) None of the Directors or substantial shareholders of MSW has any interest, direct or indirect, in the promotion of or in any assets acquired or proposed to be acquired or assets disposed of or proposed to be disposed of or leased to or proposed to be leased to the Company within the 2 years preceding the date of this Prospectus.
- (iii) There is no potential interest and/or conflict of interest between the Company and its Adviser, Underwriter and Placement Agent, Auditors and Reporting Accountants and Solicitors for the Listing as set out in the Corporate Directory section of this Prospectus.

2. Related Party Transactions

- (i) Save as disclosed below, there are no transactions, existing or potential, which have been entered into or are proposed to be entered into by MSW which involve the interest, direct or indirect, of the Directors, substantial shareholders and/or persons connected with such Directors or substantial shareholders (as defined in Section 122A of the Companies Act, 1965) or the Company's key management personnel:

Related party	Type of transaction	Interested major shareholder	Actual value of transaction for the financial year ended 31 December 2003 RM 000	Estimated value of transaction for the financial year ended 31 December 2004 RM 000
Malaysia Galvanised Iron Works Sdn Bhd	Purchase of galvanised corrugated sheet	SSCSB*	1	-
Malaysian Industrial Products Sdn Bhd <i>(formerly known as Soon Seng Industrial Products Sdn Bhd)</i>	Purchase of scrap metal	Senator Dato' Ikhwan Salim bin Dato' Haji Sujak	-	80
Malaysian Industrial Products Sdn Bhd <i>(formerly known as Soon Seng Industrial Products Sdn Bhd)</i>	Sales of mild steel round bar	Senator Dato' Ikhwan Salim bin Dato' Haji Sujak	28	30
Soon Seng Cements Products Sdn Bhd	Sales of mild steel round bar	SSCSB*	7	10
Soon Seng Co (Penang) Sdn Bhd	Sales of high tensile deformed bar and mild steel round bar	SSCSB*	186	180
Soon Seng Co (Selangor) Sdn Bhd	Purchase of scrap metal	SSCSB*	25,801	25,000
Soon Seng Co (Selangor) Sdn Bhd	Transport charges	SSCSB*	8	-
Soon Seng Co (Kelantan) Sdn Bhd	Sales of high tensile deformed bar	SSCSB*	48	50
Soon Seng Co (Trengganu) Sdn Bhd	Sales of high tensile deformed bar	SSCSB*	3	-

VIII. CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS (CONT'D)

2. Related Party Transactions (Cont'd)

Related party	Type of transaction	Interested major shareholder	Value of transaction for the financial year ended 31 December 2003 RM 000	Estimated value of transaction for the financial year ended 31 December 2004 RM 000
Soon Seng Hardware Sdn Bhd	Purchase of galvanised corrugated sheet	Estate of Tai Chet Siang	20	25
Syarikat Bas Len Seng Sdn Bhd	Purchase of scrap metal	SSCSB*	6	-
SSCSB	Grant of permission to use SSCSB's trade mark	SSCSB*	-	**

Notes:

* UER, Mohammad Tahir bin Md Yussof, Tai Ho Seng and Estate of Tai Chet Siang are deemed interested in the related party transactions above by virtue of their direct substantial shareholdings in SSCSB and their indirect substantial shareholdings in MSW.

** Denotes RM100.

The Directors of MSW are of the view that the transactions as set out above are entered into in the ordinary course of business of MSW and have been carried out on an arms length basis, which are not more favourable to the related parties than those generally available to the public. Further, the terms and conditions of the recurrent related party transactions above will be subject to the Audit Committee's review.

- (ii) Save as disclosed above and in Section XII(8), there are no unusual transactions involving goods, services, tangible or intangible assets to which MSW was a party in respect of the past financial year and the financial period immediately preceding the date of this Prospectus.
- (iii) There are no outstanding loans and/or guarantees made by MSW to or for the benefit of related parties.

IX. FINANCIAL INFORMATION

1. HISTORICAL FINANCIAL INFORMATION

1.1 Income Statement

The table below sets out a summary of the income statement of MSW for the past 5 financial years ended 31 December 2003 and the 9 months period ended 30 September 2004. The income statement is presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report as set out in Section X of this Prospectus:

	<-----Financial years ended 31 December----->					9 months period ended
	1999 RM 000	2000 RM 000	2001 RM 000	2002 RM 000	2003 RM 000	30 September 2004 RM 000
Turnover	133,623	148,480	162,342	178,622	242,405	226,987
Profit before interest, depreciation and taxation	26,363	29,607	33,716	39,284	42,055	⁽⁵⁾ 46,474
Interest income	2	1	-	-	-	-
Interest expense	(12,808)	(13,644)	(12,480)	(12,827)	(11,861)	(7,496)
Depreciation	(8,922)	(9,931)	(10,158)	(10,406)	(10,560)	(8,269)
Exceptional item ⁽¹⁾	-	(750)	-	(1,497)	-	(280)
PBT	4,635	5,283	11,078	14,554	19,634	⁽⁵⁾ 30,429
Taxation ⁽²⁾	-	-	-	-	-	-
PAT	4,635	5,283	11,078	14,554	19,634	30,429
No. of ordinary shares in issue (000)	^39,000	^39,000	^39,000	^39,000	^54,852	#109,703
Gross EPS ⁽³⁾ (sen)	11.89	13.55	28.41	37.32	35.79	*36.98
Net EPS ⁽⁴⁾ (sen)	11.89	13.55	28.41	37.32	35.79	*36.98

Notes:

* Annualised.

^ Based on par value of RM1.00 each.

Based on par value of RM0.50 each.

(1) The exceptional item represents insurance claims due to a fire in the factory and damages claimed against third party.

(2) There was no taxation charge for all the relevant financial years/period due to the availability of brought forward capital allowances and reinvestment allowances.

(3) The gross EPS is computed based on the PBT divided by the number of ordinary shares in issue.

(4) The net EPS is computed based on the PAT divided by the number of ordinary shares in issue.

(5) The PBT includes RM11.842 million, representing the write-back of electricity arrears over-accrued in prior years.

(6) There were no extraordinary items during the financial years/period under review.

IX. FINANCIAL INFORMATION (CONT'D)**Commentary:**

- (i) For the financial year ended 31 December 1999 ("FY 1999"), the total turnover amounted to RM133.62 million, representing an increase of 59.53% as compared to RM83.76 million in the financial year ended 31 December 1998 ("FY 1998"). The increase in turnover was due to an increase in production capacity as a result of the increase in the demand for steel bars from new and existing customers. Based on the turnover of RM133.62 million, the Company recorded a PBT of RM4.64 million. The PBT margin decreased from 4.98% in FY 1998 to 3.47% in FY 1999 due to an increase in interest expenses as a result of higher borrowings in FY 1999. There is no tax expense for FY 1999 due to the tax waiver pursuant to the Income Tax (Amendment) Act 1999.
- (ii) For the financial year ended 31 December 2000 ("FY 2000"), the total turnover amounted to RM148.48 million, representing an increase of 11.12% as compared to RM133.62 million in FY 1999. The increase in turnover was due to an increase in demand for mild steel bars from the construction industry. Based on the turnover of RM148.48 million, the Company recorded a PBT of RM5.28 million. The PBT margin increased marginally from 3.47% in FY 1999 to 3.56% in FY 2000 due to contribution from other income i.e. gain on disposal of property, plant and equipment. There is no tax expense for FY 2000 as the Company has sufficient unutilised capital allowances and reinvestment allowances brought forward.
- (iii) For the financial year ended 31 December 2001 ("FY 2001"), the total turnover amounted to RM162.34 million, representing an increase of 9.33% compared to RM148.48 million in FY 2000 mainly due to higher demand for steel bars. Based on the turnover of RM162.34 million, the Company achieved a PBT of RM11.08 million. As a result of economics of scale, lower scrap price and an increase in the selling price of steel bars during the year, the PBT margin improved from 3.56% in FY 2000 to 6.82% in FY 2001. There is no tax expense for FY 2001 as the Company has sufficient unutilised capital allowances and reinvestment allowances brought forward.
- (iv) For the financial year ended 31 December 2002 ("FY 2002"), the total turnover amounted to RM178.62 million, representing an increase of 10.03% as compared to RM162.34 million in FY 2001 mainly due to higher demand for steel bars. Based on the turnover of RM178.62 million, the Company achieved a PBT of RM14.55 million. The PBT margin increased from 6.82% in FY 2001 to 8.15% in FY 2002 due to better management of the operating cost through the implementation of cost saving measures. There is no tax expense for FY 2002 as the Company has sufficient unutilised capital allowances and reinvestment allowances brought forward.
- (v) For the financial year ended 31 December 2003 ("FY 2003"), the total turnover amounted to RM242.40 million, representing an increase of 35.7% as compared to RM178.62 million in FY 2002 mainly due to higher demand for steel bars and billets and higher selling price for steel bars and billets. The government increased the average selling price of billets from RM785 per mt to RM875 per mt while the average selling price of steel bars increased from RM1,090 per mt to RM1,214 per mt during FY 2003. Based on the turnover of RM242.40 million, the Company achieved a PBT of RM19.63 million. The PBT margin decreased marginally from 8.15% in FY 2002 to 8.10% in FY 2003 due to the net increase of total overhead and interest expenses by RM1.17 million. There is no tax expense for FY 2003 as the Company has sufficient unutilised capital allowances and reinvestment allowances brought forward.

IX. FINANCIAL INFORMATION (CONT'D)

(vi) For the 9 months period ended 30 September 2004 ("FP 2004"), the total turnover amounted to RM226.99 million. On an annualised basis, the turnover is expected to be RM302.65 million, representing an increase of 24.86% as compared to RM242.40 million in FY 2003 mainly due to the significant increase in selling price for steel bars and billets. In April 2004, the government increased the average selling price of billets from RM875 per mt to RM1,294 per mt while the average selling price of steel bars increased from RM1,214 per mt to RM1,570 per mt. Based on the turnover of RM226.99 million, the Company achieved a PBT of RM130.43 million which includes the write back of electricity arrears over-accrued in prior years amounting to RM11.84 million ("Write Back"). The PBT margin increased marginally from 8.10% in FY 2003 to 8.19% (excluding the Write Back) in FP 2004 mainly due to a decrease in finance expenses.

1.2 Segmental Analysis

	Financial years ended 31 December					9 months period ended
	1999	2000	2001	2002	2003	30 September 2004
	RM 000	RM 000	RM 000	RM 000	RM 000	RM 000
<i>Turnover</i>						
Steel bars	123,021	145,757	160,062	174,709	200,080	127,828
Billets	9,272	1,212	799	2,799	40,220	98,464
Others	1,330	1,511	1,481	1,114	2,105	695
Total	133,623	148,480	162,342	178,622	242,405	226,987
<i>PAT</i>						
Steel bars	2,892	3,629	9,515	13,233	15,280	*17,302
Billets	411	68	52	203	2,181	*12,152
Others	1,330	1,511	1,481	1,114	2,105	695
Other income	2	75	30	4	68	280
Total	4,635	5,283	11,078	14,554	19,634	30,429

Note:

* The PAT for steel bars and billets include RM6.127 million and RM5.715 million respectively, representing the write-back of electricity arrears over-accrued in prior years.

2. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND MATERIAL LITIGATION**(i) Working Capital**

The Directors of MSW are of the opinion that, after taking into account the forecast cashflows, banking facilities available and the gross proceeds from the Public Issue, the Company will have adequate working capital for a period of 12 months from the date of this Prospectus.

IX. FINANCIAL INFORMATION (CONT'D)**(ii) Borrowings**

The total outstanding borrowings of the Company as at 7 January 2005 are as follows:

Outstanding borrowings	Payable within 12 months RM 000	Payable after 12 months RM 000
Bank overdraft, trust receipts and bankers acceptances	63,012	-
Term loans	12,756	40,136
Hire-purchase and leases	83	218
Total	75,851	40,354

All the aforesaid borrowings are interest bearing. Save as disclosed above, MSW does not have any other loan capital outstanding or loan capital created but unissued, mortgages or charges outstanding.

There has been no default by MSW on payments of either interest and/or principal sums in respect of its borrowings throughout the past financial year and subsequent financial period immediately preceding the date of this Prospectus.

(iii) Contingent Liabilities

Save for the contingent liabilities that may arise as a consequence of the material litigation cases detailed in parts v(i), v(ii) and v(iv) below, as at 7 January 2005, the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of MSW.

(iv) Capital Commitments

As at 7 January 2005, the Directors are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of MSW.

(v) Material Litigation

Save as disclosed below, as at 7 January 2005, MSW is not engaged in any litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial or business position of MSW and the Board of Directors of MSW 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 financial or business position of MSW:

- (i) On 11 May 1999, Mukand Ltd ("Mukand") instituted a claim against MSW for a sum of USD323,139 plus further interest and costs for the balance of the purchase price for goods sold and delivered by Mukand to MSW. MSW had on 16 August 1999 filed a defence and counter claim of RM1,309,774 against Mukand for damages suffered as a result of defective goods supplied and for failure to complete the supply. The case was part heard on 12 November 2003, 13 November 2003, 13 May 2004 and 20 May 2004. The case fixed for hearing on 21 July 2004 was adjourned to 11 August 2004 on which date the case was subsequently fixed for hearing on 23 February 2005 and 24 February 2005. The solicitors acting for MSW in this matter are of the opinion that MSW has a fair chance to succeed in the counter claim;

IX. FINANCIAL INFORMATION (CONT'D)

- (ii) On 7 March 1993, Kamseng Machine Works Pte Ltd ("Kamseng") issued a letter of demand against MSW for a sum of SGD1.06 million in respect of alleged variation orders executed by Kamseng and suggested a reference to arbitration. Kamseng filed an Originating Summons on 9 April 1997 for appointment of an arbitrator which was contested by MSW. Kamseng's application was allowed by the High Court and MSW appealed to the Court of Appeal but the appeal was dismissed on 26 February 2003. MSW has since filed an application for leave to appeal against the Court of Appeal's decision to the Federal Court on 14 March 2003 but the application for leave to appeal was dismissed on 13 July 2004. Arbitration has commenced and the arbitrator has given his directions on the filing of party's claims and counter-claims. MSW has a counter-claim in excess of the Kamseng's claim in respect of damages for breach of contract and the costs incurred in hiring replacement contractors to complete the works and to remedy defects. The solicitors of MSW handling the legal suit are of the opinion that their chances of success in the claim proper are good;
- (iii) MSW has instructed its solicitors via a letter of demand dated 14 October 2003 to Royal & Sun Alliance Insurance (M) Bhd ("Royal & Sun") claiming for damages for the amount of approximately RM2 million to RM4 million and unliquidated damages, caused to a transformer utilised at the Bukit Raja plant as result of fire. The transformer is insured against such damage under the Royal & Sun insurance policy. However, Royal & Sun has rejected MSW's claim due to a technical interpretation of the term explosion. A Writ of Summons was filed on 10 February 2004. Royal & Sun has entered appearance through their solicitors and filed a statement of defence on 5 April 2004. The pre-trial case management notice was filed on 8 June 2004. On 9 September 2004, the judge gave directions to the parties to file the necessary bundles of documents and statements and the case management was heard on 6 January 2005. The court had on 6 January 2005 fixed the next date for the case management on 21 June 2005. The solicitors of MSW handling the matter is of the opinion that MSW has a fair chance to succeed in the claim; and
- (iv) On 19 July 2004, Sergam Berhad ("Sergam") has issued a notice of demand against MSW claiming for a sum in the amount of RM7,560,243.60 together with interest of 8% per annum calculated on a daily basis from the date of demand until full settlement, for goods sold and delivered to MSW. The solicitors acting for MSW are of the opinion that Sergam has a frivolous claim against MSW, in view of the fact that, the accounts of MSW shows that the outstanding sum has been paid in full, save and except for the final payment of RM149,261.08 which Sergam has returned to MSW and has alleged that further sums are due to them. MSW has alleged that the demand arises from an erroneous assumption that the further sums are due to Sergam in the form of interest without an express agreement by MSW. The solicitors acting for MSW are of the opinion that such a claim by Sergam would fail in court since there appears to be no agreement whatsoever, nor even any prior demand or claim made by Sergam regarding the interest and that so long as Sergam has accepted periodical payments by MSW unequivocally, they cannot now insist that the interest is due.

IX. FINANCIAL INFORMATION (CONT'D)

3. REPORTING ACCOUNTANTS' LETTER ON THE PROFIT ESTIMATE AND FORECAST

(Prepared for inclusion in this Prospectus)



Singam & Yong (AF 0040)

Chartered Accountants



13 January 2005

The Board of Directors
Malaysia Steel Works (KL) Bhd
Wisma Safety
No. 43, Jalan Melayu
50100 Kuala Lumpur

Dear Sirs,

**MALAYSIA STEEL WORKS (KL) BHD
PROFIT ESTIMATE AND FORECAST FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2004 AND THE FINANCIAL YEAR ENDING 31 DECEMBER 2005**

We have reviewed the profit estimate and forecast of Malaysia Steel Works (KL) Bhd ("MSW" or the "Company") for the financial year ended 31 December 2004 and the financial year ending 31 December 2005, as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the International Standards of Auditing 810 (ISA – The Examination of Prospective Financial Information) applicable to the review of forecast. The estimate and forecast have been prepared for the inclusion in the Prospectus to be dated 17 January 2005 in connection with the listing of MSW on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") as follows:-

(i) Share Split

Sub-division of par value for every existing ordinary share in MSW from RM1.00 to RM0.50. The share split was completed on 13 July 2004;

(ii) Offer for Sale

Offer for sale of 17,100,000 ordinary shares of RM0.50 each in MSW ("MSW Shares") at an offer price of RM1.30 per MSW Share, to be allocated to Bumiputera investors approved by the Ministry of International Trade and Industry, and identified investors by way of private placement;

(iii) Public Issue

Public issue of 23,297,000 new MSW Shares at an issue price of RM1.30 per new MSW Share to the Malaysian public, the eligible Directors and employees, customers and suppliers of MSW, and identified investors by way of private placement; and

(iv) Listing

Admission to the Official List of the Main Board of Bursa Securities and the listing of and quotation on the Main Board of Bursa Securities for 133,000,000 MSW Shares representing the entire enlarged issued and paid-up share capital of MSW.

IX. FINANCIAL INFORMATION (CONT'D)



Singam & Yong (AF 0040)

Chartered Accountants



Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Company in its audited financial statements for the financial period ended 30 September 2004. The Directors of MSW are solely responsible for the preparation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

Estimate and forecast, in this context, mean 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 estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and 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 statements, do not provide a reasonable basis for the preparation of the profit estimate and forecast.

In our opinion, the profit estimate and forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Company in its audited financial statements for the financial period ended 30 September 2004.

Yours faithfully,

SINGAM & YONG
No. AF: 0040
Chartered Accountants

JAYAPALASINGAM A/L KANDIAH
No. 457/03/05(J/PH)
Partner of the firm

IX. FINANCIAL INFORMATION (CONT'D)**4. PROFIT ESTIMATE AND FORECAST****Singam & Yong** (AF 0040)

Chartered Accountants

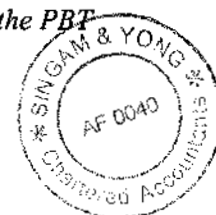
**MALAYSIA STEEL WORKS (KL) BHD
PROFIT ESTIMATE AND FORECAST TOGETHER WITH ASSUMPTIONS FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2004 AND THE FINANCIAL YEAR ENDING
31 DECEMBER 2005**

Barring unforeseen circumstances and on the bases and assumptions set out below, the Directors of Malaysia Steel Works (KL) Bhd ("MSW" or the "Company") estimate and forecast that the profit after taxation for the financial year ended 31 December 2004 and the financial year ending 31 December 2005 will be as follows:-

	Estimate 2004 RM '000	Forecast 2005 RM '000
Profit before taxation ("PBT")	⁽¹⁾ 34,263	25,622
Less : Taxation ⁽²⁾	-	-
Profit after taxation attributable to shareholders ("PAT")	<u>34,263</u>	<u>25,622</u>
Gross earnings per share ("EPS") (sen) ⁽³⁾	25.76	19.26
Net EPS (sen) ⁽³⁾	25.76	19.26
Gross price earnings multiple ("PE Multiple") (times) ⁽⁴⁾	⁽⁵⁾ 5.05	6.75
Net PE Multiple (times) ⁽⁴⁾	⁽⁵⁾ 5.05	6.75

Notes:

- (1) *The PBT for the financial year ended 31 December 2004 includes a write-back of RM11.842 million, representing electricity arrears over-accrued in prior years ("Write Back").*
- (2) *There is no taxation charge due to the availability of capital allowances and reinvestment allowances brought and carried forward.*
- (3) *Computed based on the PBT/PAT divided by the enlarged issued and paid-up share capital of 133,000,000 MSW Shares.*
- (4) *Based on the offer/issue price of RM1.30 per Offer/Issue Share.*
- (5) *The gross PE multiple and net PE multiple would be 7.71 times if computed based on the PBT and PAT (net of the Write Back) of RM22.421 million.*



IX. FINANCIAL INFORMATION (CONT'D)**Singam & Yong** (AF 0040)

Chartered Accountants

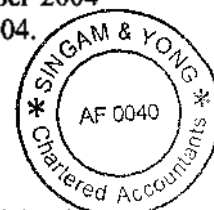
**PRINCIPAL BASES AND ASSUMPTIONS**

The principal bases and assumptions upon which the profit estimate and forecast for the financial year ended 31 December 2004 and the financial year ending 31 December 2005 have been made are as follows:-

1. There will be no material changes in the principal activities, management structure or accounting and business policies from those presently adopted by the Company.
2. There will be no material changes in the present legislation and Government regulations or policies including taxation, which will adversely affect the operations of the Company or the market in which it operates.
3. There will be no major industrial disputes, major breakdown in manufacturing facilities, political changes or any abnormal circumstances which will adversely affect the Company's operation or disrupt its planned operations.
4. There will be no material addition or disposals of property, plant and equipment to be undertaken by the Company other than those estimated and forecast. All capital expenditures will be incurred and implemented as scheduled.
5. There will be no significant changes in the existing key personnel and management of the Company that will adversely affect the marketing capability and level of activities of the Company.
6. There will be no significant changes in the prevailing Malaysian and world economic conditions that may directly or indirectly have an adverse effect on the Company's performance.
7. The existing financing facilities will remain available to the Company and interest rates will not change significantly from those currently prevailing.
8. There will be no significant changes in respect of the present inflation rate or exchange rate of foreign currencies. The exchange rate assumed for the period under review is as follows:-

United States Dollar ("USD")	USD1 : RM3.80
Singapore Dollar ("SGD")	SGD1 : RM2.30

9. Pursuant to the Tenaga Nasional Berhad ("TNB") settlement offer letter in July 2004, a sum of RM37.98 million was finalised as full settlement of TNB arrears. Subsequently, a deed of settlement has been executed on 13 September 2004 between TNB and MSW. MSW is required to pay an amount of RM10.00 million during the financial year ended 31 December 2004 and balance of RM27.98 million during the financial year ending 31 December 2005. All the payments have been accounted for and included in the cash flow estimate and forecast for the respective years. In respect of the historical earnings of MSW, the Company had adequately provided for all expenses and liabilities in relation to TNB. Consequently, RM11.84 million has been over accrued and has been accounted for in the financial period ended 30 September 2004 with a write back to the Income Statement for the financial period ended 30 September 2004.



IX. FINANCIAL INFORMATION (CONT'D)**Singam & Yong** (AF 0040)

Chartered Accountants



10. There will be no significant fluctuation in the selling price of steel bars and billets. The expected sales quantities of steel bars and billets and their respective average selling price are as follows:-

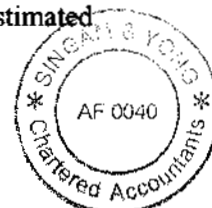
	Sales quantity		Average selling price (per MT)	
	2004 MT	2005 MT	2004 RM	2005 RM
Steel Bars	100,000	135,660	1,484	1,570
Billets	70,000	30,800	1,252	1,294

For the financial year 2004, the sales quantity and selling price have been revised using the actual results up to 30 November 2004 as the basis for projection. There is an exceptional increase in sales quantity of billets in financial year 2004 due to an increase in exports. In financial year 2005, the sales of steel bars are projected to increase due to an increase in demand in the domestic market for steel bars and a reduction in the sales of billets due to a decrease in exports.

11. There will be no significant changes in the costs of scrap, labour and other production costs and trade terms.
12. There will be no significant changes in operating expenses including wages, cost of supplies, administration and overhead expenses other than those estimated and forecast.
13. The production requirements to meet the increase in the demand of steel bars and billets is within the company's production capacity of 250,000 MT of steel bars and 350,000 MT of billets.
14. The profit forecast reflects the gross proceeds of RM30.286 million arising from the Public Issue of 23,297,000 new MSW Shares at an issue price of RM1.30 per MSW Share which will be utilised as follows:-

	RM '000
Repayment of bank borrowings	17,456
Capital expenditure	8,000
Working capital	2,330
Estimated listing expenses	2,500
	30,286

15. The Offer for Sale, Public Issue and Listing are expected to be completed within the first quarter of 2005 and the proceeds from the Public Issue will be received by the same date. The estimated listing expenses of RM2.5 million will be set-off against the share premium account.



IX. FINANCIAL INFORMATION (CONT'D)

5. DIRECTORS' ANALYSIS AND COMMENTARY**5.1 Profit estimate for the financial year ended 31 December 2004 ("FYE 2004")**

The turnover of MSW in FYE 2004 is estimated at RM230.32 million representing a decrease of 4.98% as compared to RM242.40 million for the financial year ended 31 December 2003 ("FYE 2003"). The decrease in turnover is mainly due to the Malaysian Government's move to increase the average selling price of steel bars from RM1,214 per mt to RM1,570 per mt resulting in an expected decline in the volume of sales for steel bars to 100,000 mt in FYE 2004 as compared to 167,900 mt in FYE 2003.

The estimated PBT of RM34.26 million for FYE 2004 includes a write-back of electricity arrears over accrued in prior years amounting to RM11.84 million ("Write Back") following the finalisation of MSW's outstanding bills with TNB which was formalised via a Decd of Settlement. MSW's PBT, net of the Write Back, would be RM22.42 million representing an increase of 12.44% from FYE 2003's PBT of RM19.63 million. Based on the PBT, net of the Write Back, the PBT margin of MSW is 9.73%, registering an increase from 8.10% in FYE 2003 mainly due to lower distribution costs arising from the expected decrease in the sales volume of steel bars.

There are no tax charges for FYE 2004 as MSW have sufficient reinvestment allowances and capital allowances for set-off against taxable income.

5.2 Profit forecast for the financial year ending 31 December 2005 ("FYE 2005")

The turnover of MSW in FYE 2005 is forecast at RM254.48 million representing an increase of 10.49% as compared to RM230.32 million for FYE 2004. The increase in turnover is mainly due to higher market demand anticipated as the construction industry is expected to record a growth of 1.80% (*Source: Economic Report 2004/2005*).

The forecast PBT of RM25.62 million for FYE 2005 represents a decrease of 25.22% from FYE 2004's PBT of RM34.26 million. However, MSW's forecast PBT of RM25.62 million for FYE 2005 will represent an increase of 14.27% compare to FYE 2004's PBT of RM22.42 million, net of the Write Back. The PBT margin is expected to improve from 9.73%, net of the Write Back, to 10.06% in FYE 2005 mainly due to lower finance expenses arising from the repayment of borrowings.

There are no tax charges for FYE 2005 as MSW have sufficient reinvestment allowances and capital allowances for set-off against taxable income.

The Directors of MSW have reviewed the bases and assumptions used in arriving at the profit estimate and forecast of MSW for the financial year ended 31 December 2004 and the financial year ending 31 December 2005 and are of the opinion that the profit estimate and forecast are fair and reasonable in light of the future plans, strategies and prospects of MSW and the prospects of the steel industry as set out in Sections V(5) and V(8) of this Prospectus and after taking into consideration the estimated and forecast gearing level, liquidity and working capital requirements of MSW.

IX. FINANCIAL INFORMATION (CONT'D)**5.3 Trade debtors ageing analysis and commentary on recoverability of trade debts exceeding credit period**

MSW's trade debtors balances and ageing analysis as at 30 September 2004 are set out below:

	Current	31 – 60 days	61 to 90 days	<-----Exceeding Credit Period ----->			Total
				3-6 months	6-12 months	> 12 months	
Trade debtors (RM 000)	23,971	14,479	4,370	10,094	848	924	54,686
Percentage of total trade debtors (%)	43.83	26.48	7.99	18.46	1.55	1.69	100.00

As at 30 September 2004, the total trade debtors exceeding the credit period granted amounted to RM11.87 million or 21.70% of the total trade debtors. The Directors of MSW have made a provision for doubtful debts of RM1.38 million for those trade debtors exceeding credit period for which legal action has been taken or where the balances are in dispute.

As at 31 October 2004, MSW collected RM29.90 million out of the outstanding trade debtors of RM54.69 million of which approximately RM7.83 million of the collection was in respect of the trade debtors balance of RM11.87 million exceeding the credit period granted.

The Directors of MSW are of the opinion that the remaining trade debtors exceeding credit period of RM2.66 million, net of the provision for doubtful debts of RM1.38 million, which remain outstanding as at 31 October 2004 are recoverable based on the track record of those trade debtors and the existing credit control measures implemented by MSW to monitor the collectibility of those outstanding trade debtor.

5.4 Trade creditors ageing analysis and commentary on the treatment of trade creditors

MSW's trade creditors balances and ageing analysis as at 30 September 2004 are set out below:

	Current	31 – 60 days	61 to 90 days	<-----Exceeding Credit Period ----->			Total
				3-6 months	6-12 months	> 12 months	
Trade creditors (RM 000)	10,841	4,144	1,775	2,959	587	2,517	22,823
Percentage of total trade creditors (%)	47.50	18.16	7.78	12.96	2.57	11.03	100.00

The normal credit period given by MSW's trade creditors ranges from 30 days to 90 days. Out of the trade creditors balance of RM22.82 million as at 30 September 2004, an amount of RM1.79 million is owing to related party trade creditors. The total trade creditors exceeding the average credit period granted amounted to RM6.06 million or 26.56% of the total trade creditors, out of which, an amount of RM1.78 million represents amounts due to related party trade creditors.

As at 31 October 2004, MSW has settled RM7.26 million of the outstanding trade creditors of RM22.82 million of which approximately RM0.38 million of the payment was in respect of the trade creditors balance exceeding the credit period granted. The Directors of MSW are of the opinion that the credit period given by the related parties are based on the industry norm.

IX. FINANCIAL INFORMATION (CONT'D)**6. DIVIDEND FORECAST**

It is the policy of the Directors of MSW in recommending dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of MSW.

Based on the forecast PAT of RM25.622 million for the financial year ending 31 December 2005, the Directors of MSW anticipate that the Company will be in a position to propose a tax-exempt dividend of 1.5 sen for the financial year ending 31 December 2005, based on the enlarged issued and paid-up share capital of 133,000,000 ordinary shares of RM0.50 each.

The intended appropriation of the forecast PAT for the financial year ending 31 December 2005 will be as follows:

	RM 000
Turnover	254,480
PBT	25,622
Taxation	-
PAT	25,622
Less: Proposed tax-exempt dividend of 1.5 sen	(1,995)
Unappropriated profit carried forward	23,627
Tax-exempt dividend per ordinary share (sen)	1.50
Tax-exempt dividend yield <i>(based on the offer/issue price of RM1.30 per Offer/Issue Share)</i>	1.15%
Net dividend cover (times)	12.84

Future dividends may be waived, inter alia, in the event of the following circumstances:

- (i) insufficient retained profits to declare as dividends;
- (ii) insufficient tax exempt profits to declare as dividends and/or insufficient tax credits to frank its dividends; or
- (iii) insufficient cashflows to pay dividends.

IX. FINANCIAL INFORMATION (CONT'D)**7. SENSITIVITY ANALYSIS**

The sensitivity analysis is prepared by the management of MSW and has been independently verified by the Reporting Accountants. The sensitivity analysis is prepared based on the assumptions that all other factors remain unchanged except for the 5% and 10% upward and downward variations in the sales volume of steel bars, pricing of the steel bars, cost of scrap metal and variable production cost. The sensitivity analysis on MSW's estimated and forecast PAT for the financial year ended 31 December 2004 ("FYE 2004") and the financial year ending 31 December 2005 ("FYE 2005") taking into consideration the following factors are as follows:

(i) Variation in Sales Volume of Steel Bars

A sensitivity analysis based on a deviation of 5% and 10% on the sales volume of steel bars is as set out below:

	<--- FYE 2004 --->		<--- FYE 2005 --->	
	RM 000	%	RM 000	%
PAT	34,263	-	25,622	-
Deviation				
Up 10%	38,342	11.90	30,184	17.81
Up 5%	36,301	5.95	27,902	8.90
Down 5%	32,227	(5.94)	23,346	(8.88)
Down 10%	30,195	(11.87)	21,072	(17.76)

(ii) Variation in the Pricing of Steel Bars

A sensitivity analysis based on a deviation of 5% and 10% on the pricing of steel bars is as set out below:

	<--- FYE 2004 --->		<--- FYE 2005 --->	
	RM 000	%	RM 000	%
PAT	34,263	-	25,622	-
Deviation				
Up 10%	53,841	57.14	46,921	83.13
Up 5%	44,052	28.57	36,271	41.56
Down 5%	24,474	(28.57)	14,973	(41.56)
Down 10%	14,686	(57.14)	4,323	(83.13)

IX. FINANCIAL INFORMATION (CONT'D)**(iii) Variation in Cost of Scrap Metal**

A sensitivity analysis based on a deviation of 5% and 10% on the cost of scrap metal is as set out below:

	<--- FYE 2004 --->		<--- FYE 2005 --->	
	RM 000	%	RM 000	%
PAT	34,263	-	25,622	-
Deviation				
Up 10%	23,151	(32.43)	12,294	(52.02)
Up 5%	28,707	(16.22)	18,958	(26.01)
Down 5%	39,819	16.22	32,286	26.01
Down 10%	45,375	32.43	38,950	52.02

(iv) Variation in Variable Production Cost

A sensitivity analysis based on a deviation of 5% and 10% on the variable production cost is as set out below:

	<--- FYE 2004 --->		<--- FYE 2005 --->	
	RM 000	%	RM 000	%
PAT	34,263	-	25,622	-
Deviation				
Up 10%	19,355	(43.51)	9,467	(63.05)
Up 5%	26,809	(21.76)	17,544	(31.53)
Down 5%	41,717	21.76	33,700	31.53
Down 10%	49,171	43.51	41,777	63.05

The Board of Directors of MSW has reviewed and analysed the bases and assumptions used upon which the sensitivity analysis of MSW's profit estimate and forecast have been made and is of the opinion that the sensitivity analysis on MSW's profit estimate and forecast is fair and reasonable.

IX. FINANCIAL INFORMATION (CONT'D)

8. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA BALANCE SHEETS

(Prepared for inclusion in this Prospectus)



Singam & Yong (AF 0040)

Chartered Accountants



13 January 2005

The Board of Directors
Malaysia Steel Works (KL) Bhd
Wisma Safety
No. 43, Jalan Melayu
50100 Kuala Lumpur

Dear Sirs,

**MALAYSIA STEEL WORKS (KL) BHD
REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA BALANCE SHEETS AS AT
30 SEPTEMBER 2004**

We have reviewed the presentation of the Proforma Balance Sheets of Malaysia Steel Works (KL) Bhd ("MSW" or the "Company") as at 30 September 2004 together with the notes thereon (which we have stamped for the purpose of identification), for which the Directors are solely responsible. The Proforma Balance Sheets have been prepared for the inclusion in the Prospectus to be dated 17 January 2005 in connection with the listing of MSW on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") as follows:-

(i) Share Split

Sub-division of par value for every existing ordinary share in MSW from RM1.00 to RM0.50. The share split was completed on 13 July 2004;

(ii) Offer for Sale

Offer for sale of 17,100,000 ordinary shares of RM0.50 each in MSW ("MSW Shares") at an offer price of RM1.30 per MSW Share, to be allocated to Bumiputera investors approved by the Ministry of International Trade and Industry, and identified investors by way of private placement;

(iii) Public Issue

Public issue of 23,297,000 new MSW Shares at an issue price of RM1.30 per new MSW Share to the Malaysian public, the eligible Directors and employees, customers and suppliers of MSW, and identified investors by way of private placement; and

(iv) Listing

Admission to the Official List of the Main Board of Bursa Securities and the listing of and quotation on the Main Board of Bursa Securities for 133,000,000 MSW Shares representing the entire enlarged issued and paid-up share capital of MSW.

IX. FINANCIAL INFORMATION (CONT'D)



Singam & Yong (AF 0040)

Chartered Accountants

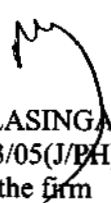


In our opinion, the Proforma Balance Sheets of MSW as at 30 September 2004 together with the accompanying notes which are provided solely for illustrative purposes only,

- (a) have been properly compiled on the bases of preparation stated;
- (b) such bases are consistent with the accounting policies normally adopted by MSW;
and
- (c) the adjustments are appropriate for the purposes of the Proforma Balance Sheets.

Yours faithfully,

SINGAM & YONG
No. AF: 0040
Chartered Accountants



JAYAPALASINGAM A/L KANDIAH
No. 457/03/05(J/P/H)
Partner of the firm

IX. FINANCIAL INFORMATION (CONT'D)

9. PROFORMA BALANCE SHEETS

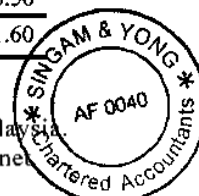

Singam & Yong (AF 0040)

Chartered Accountants



The Proforma Balance Sheets of MSW have been prepared for illustrative purposes only, to show the effect of the transactions to be undertaken in connection with the the listing of MSW on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Proforma Balance Sheets should be read in conjunction with the notes thereto:-

	Audited as at 30.9.2004 RM '000	Proforma I After Offer for Sale and Public Issue RM '000	Proforma II After Proforma I and Utilisation of proceeds RM '000
ASSETS EMPLOYED :-			
PROPERTY, PLANT AND EQUIPMENT	264,952	264,952	272,952
CURRENT ASSETS			
Inventories	38,737	38,737	38,737
Trade receivables	53,307	53,307	53,307
Other receivables, deposits and prepayments	612	612	612
Cash and bank balances	7,335	37,621	9,665
	<u>99,991</u>	<u>130,277</u>	<u>102,321</u>
CURRENT LIABILITIES			
Bills payable	61,570	61,570	54,114
Trade payables	22,823	22,823	22,823
Other payables and accruals	38,959	38,959	38,959
Fixed term loans – current portion	11,982	11,982	11,982
Hire purchase payables – current portion	83	83	83
	<u>135,417</u>	<u>135,417</u>	<u>127,961</u>
NET CURRENT LIABILITIES	<u>(35,426)</u>	<u>(5,140)</u>	<u>(25,640)</u>
	<u>229,526</u>	<u>259,812</u>	<u>247,312</u>
FINANCED BY :-			
SHARE CAPITAL	54,852	66,500	66,500
SHARE PREMIUM	25,149	43,787	41,287
RETAINED PROFITS	104,642	104,642	104,642
SHAREHOLDERS' FUND	<u>184,643</u>	<u>214,929</u>	<u>212,429</u>
LONG TERM LIABILITIES			
Fixed term loans	44,644	44,644	34,644
Hire purchase payables	239	239	239
	<u>229,526</u>	<u>259,812</u>	<u>247,312</u>
No. of Shares in Issue ('000)	<u>109,703</u>	<u>133,000</u>	<u>133,000</u>
PAR Value of Ordinary Shares (RM)	<u>0.50</u>	<u>0.50</u>	<u>0.50</u>
NTA Per Share (RM)	<u>1.68</u>	<u>1.62</u>	<u>1.60</u>



IX. FINANCIAL INFORMATION (CONT'D)**Singam & Yong (AF 0040)**

Chartered Accountants

**NOTES TO THE PROFORMA BALANCE SHEETS**

The Proforma Balance Sheets of MSW have been prepared based on the accounting principles and bases consistent with those adopted in the preparation of the audited financial statements of MSW as at 30 September 2004 and are provided for illustrative purposes only, to show the effects of the offer for sale and public issue as though they were effected as of that date.

1. PROFORMA I

Proforma I incorporates the effects of the following:

- (a) Offer for Sale of 17,100,000 MSW Shares at an offer price of RM1.30 per MSW Share, to be allocated to the Bumiputera investors nominated and approved by the Ministry of International Trade and Industry and identified investors by way of private placement; and
- (b) Public Issue of 23,297,000 new MSW Shares at an issue price of RM1.30 per new MSW Share to the Malaysian public, the eligible Directors and employees, customers and suppliers of MSW, and identified investors by way of private placement.

2. PROFORMA II

Proforma II incorporates the effects of Proforma I and the utilisation of the total gross proceeds arising from the Public Issue of RM30.286 million as follows:-

	RM '000
Repayment of bank borrowings	17,456
Capital expenditure	8,000
Working capital	2,330
Estimated listing expenses	2,500
	30,286

The estimated listing expenses of RM2,500,000 have been set-off against the share premium account.

The effects of the Proforma I and II on the share capital and share premium are as follows:-

	Share Capital RM'000	Share Premium RM'000
Audited as at 30 September 2004	54,852	25,149
Add : Public Issue	11,648	18,638
As shown in Proforma I	66,500	43,787
Less : Estimated listing expense	-	(2,500)
As shown in Proforma II	66,500	41,287