

## 11. FINANCIAL INFORMATION

### 11.1 Financial Highlights

Upon completion of the Restructuring Exercise, Mithril, the company incorporated to facilitate the Restructuring Exercise and assume the listing status of Tajo on the Second Board of MSEA will become the holding company of both Tajo and Saferay. In addition, as part of the Restructuring Exercise, Mithril will also complete the acquisition of two (2) Menara MAA buildings located in Kota Kinabalu and Kuching.

Currently, Tajo is an affected listed issuer pursuant to Practice Note 4/2001 of the Listing Requirements of MSEA and Tajo has been registering losses for the past six (6) financial years ended 31 December 2002 and the nine (9) months results ended 30 September 2003. For the nine (9) months ended 30 September 2003, Tajo Group has recorded accumulated losses of approximately RM261.82 million and has a shareholders' deficit of approximately RM205.17 million. Pursuant thereto, the proforma consolidated results of Mithril for the past five (5) financial years ended 31 December 2002 and the nine (9) months ended 30 September 2003 based on the assumption that the structure of the Mithril Group has been in existence has not been provided.

The proforma consolidated results of Mithril Group would not have any reflection on the future prospects of the Group going forward. However, the financial information on Tajo Group and Saferay for the five (5) financial years ended 31 December 2002 and the nine (9) months ended 30 September 2003 and for the five financial years ended 30 April 2003 and the five (5) months ended 30 September 2003 as detailed below has been provided for your consideration. The financial results of Saferay have been presented for illustrative purposes only and should be read in conjunction with the accompanying notes included in the Accountants' Report set out in Section 12 of this Prospectus.

#### Tajo Group

	<-----Financial Year Ended 31 December----->					For the period ended 30 September
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Turnover	106,123	85,660	56,730	3,834	7,796	7,964
Profit/(loss) before interest, depreciation, taxation and exceptional item	5,433	(1,487)	(4,844)	443	(18,315)	(6,485)
Interest expense	(17,407)	(23,861)	(17,177)	(21,788)	(21,322)	(14,802)
Depreciation	(6,270)	(5,854)	(5,160)	(3,972)	(3,701)	(1,325)
Loss before exceptional items	(18,244)	(31,202)	(27,181)	(25,317)	(43,338)	(22,612)
Exceptional items	(70,861)	(25,658)	-	-	-	-
Loss before taxation	(89,105)	(56,860)	(27,181)	(25,317)	(43,338)	(22,612)
Taxation	(18)	(1,127)	(123)	(28)	(59)	41
Loss after taxation	(89,123)	(57,987)	(27,304)	(25,345)	(43,397)	(22,571)
Minority interest	(1,172)	-	-	-	-	-
	(90,295)	(57,987)	(27,304)	(25,345)	(43,397)	(22,571)
No. of ordinary shares of RM1.00 each in issue ('000)	38,291	38,368	39,540	39,540	39,540	39,540
Gross EPS (RM)	(2.33)	(1.48)	(0.69)	(0.64)	(1.10)	(0.57)
Net EPS (RM)	(2.33)	(1.51)	(0.69)	(0.64)	(1.10)	(0.57)

**11. FINANCIAL INFORMATION (Cont'd)***Notes:*

1. *The decrease in turnover in 1998 compared to 1997 was due to the reduction of the Group's sales in the media and related services and property development and construction divisions as a result of economic downturn.*
2. *The decline in profit recorded by the Group in 1998 was due to overall slowdown in economic activities, specifically due to the following:*
  - (i) *The Group's bricks' operations had been affected by the slowdown in the construction and property sector. This had directly contributed to a drop in demand for bricks and unattractive pricing of bricks. Further, the watch dial and abrasive manufacturing divisions continue to generate losses in this year.*
  - (ii) *The property division had been affected by cost overrun, interest accrued on property loans and the necessity to write down certain development expenditure. The Group had also written down certain construction contracts due to uncertainty in contract completion.*
  - (iii) *The watch dial and media publishing divisions were disposed off at sizeable losses. Investment in the shipping business was substantially written down to reflect its NTA. Details of the disposal of the watch dial and media and publishing divisions are as follows:*
    - *Conditional Share Purchase Agreement dated 28 December 1998 between Tajo and Feasible Network Sdn Bhd for the disposal of its entire shareholding of 51,000 shares of RM1.00 each, representing 51% equity interest in All-Media Consolidated Sdn Bhd for a total cash consideration of RM200,000; and*
    - *Conditional Share Purchase Agreement dated 30 December 1998 between Tajo's 70% owned subsidiary company, Resolute Omega Sdn Bhd and Alpha Storage Sdn Bhd for the disposal of two wholly owned subsidiaries of Resolute Omega Sdn Bhd, namely Precima Sdn Bhd and Precima Electronics Sdn Bhd for a cash consideration of RM100,000 and RM50,000 respectively.*
3. *Exceptional items of RM70.86 million incurred by the Group in 1998 were related to loss on disposal of subsidiaries, provision for diminution in value of investment, development expenditure written-off and contract expenditure written-off.*
4. *The decrease in turnover in 1999 was principally due to the disposal off subsidiary companies, namely All-Media Consolidated Sdn Bhd, Precima Sdn Bhd and Precima Electronics Sdn Bhd.*
5. *Exceptional items of RM25.66 million incurred by the Group in 1999 were related to provision for diminution in value of development properties, write down of property, plant and equipment, stocks provision and provision of charter hire in dispute.*
6. *The decrease in turnover in 2000 was due to the following:*
  - (i) *The production at the Sedenak factory ceased since 31 March 2000. The new factory in Bukit Kepong commenced operations in September 2000. Thus, there was no production for the 5 months from 1 April 2000 to 31 August 2000.*
  - (ii) *Tajo's shipping arm, Able Shipping Sdn Bhd was disposed of in December 2000. As such, income from the shipping sector was consolidated up till November 2000.*

*The shipping sector experienced a reduction in turnover from RM54,505,884 for the 11 months ended 30 November 2000 as compared to RM79,697,457 for the year ended 31 December 1999.*
7. *As at 31 December 2001, the Group continued to suffer losses. There were no major fluctuations in the losses before tax for the financial year under review of RM25.32 million as compared to RM27.18 million in previous year 2000 recorded a significantly higher turnover. This is mainly due to high administration expenses incurred in year 2000 and a huge provision for diminution in value of investment being made.*

**11. FINANCIAL INFORMATION (Cont'd)**

8. *The Group continued to suffer huge losses in financial year ended 2002. Losses before tax increased significantly mainly due to the high administration expenses incurred in 2002, where provision for impairment of property, plant and equipment amounting to RM17.76 million was made.*

*In addition and in comparison with financial year 2001, the losses in 2001 were lower due to gain on disposal of two subsidiaries amounting to about RM16.29 million.*

9. *Turnover for the nine (9) months ended 30 September 2003 increased from the financial year ended 31 December 2002 due to the gradual improvement in demand and increase in brick prices during the period. The Group continued to incur high administration expenses during the period in relation to the Restructuring Exercise.*

*The losses before tax was reduced to RM22.61 million for the nine (9) months ended 30 September 2003 as compared to RM43.34 million as at 31 December 2002. As mentioned above, the losses before tax in 2002 includes provision for impairment of property, plant and equipment of RM17.76 million.*

There were no extraordinary items in the financial years/period under review. The audited accounts of Tajo were not subject to any qualification in the financial years/period under review except for the emphasis of matters that the preparation of the financial statements of the Tajo Group and of Tajo on the going concern basis is dependent on the successful implementation of the Restructuring Exercise as well as on the success of their future operations.

Saferay

	<-----Financial Year Ended 30 April----->					For the period ended 30 September 2003
	1999	2000	2001	2002	2003	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	9,491	11,138	17,013	18,686	26,861	13,852
Cost of sales	(6,810)	(6,556)	(10,557)	(11,215)	(14,564)	(8,863)
Gross profit	2,681	4,582	6,456	7,471	12,297	4,989
Other operating income	504	245	270	58	15	17
General and administrative expenses	(493)	(943)	(1,319)	(1,585)	(1,753)	(795)
Selling and distribution expenses	(793)	(676)	(1,190)	(1,313)	(2,345)	(872)
Profit from operations	1,899	3,208	4,217	4,631	8,214	3,339
Financial costs	(189)	(205)	(216)	(214)	(235)	(133)
Profit before taxation	1,710	3,003	4,001	4,417	7,979	3,206
Taxation	2	(246)	(355)	(889)	(2,328)	(838)
Profit after taxation	1,712	2,757	3,646	3,528	5,651	2,368
No. of ordinary shares of RM1.00 each in issue ('000)	500	500	1,000	1,200	1,200	1,200
Gross EPS (RM)	3.42	6.01	4.00	3.68	6.65	2.67
Net EPS (RM)	3.42	5.51	3.65	2.94	4.71	1.97

## 11. FINANCIAL INFORMATION (Cont'd)

### Notes:

1. *In 2000, the revenue increased by 17% from RM9.49 million to RM11.14 million as a result of the Company's aggressive participation in related trade shows overseas to promote their PU products. In addition, the Company also developed in number of new designs, which were well received by their major customers, particularly those from Russia and Eastern Europe. These new designs fetched higher prices, thus further contributing to the increase in revenue in 2000. The increase in the profit before taxation is contributed by higher gross margin as the Company introduced new designs.*
2. *In 2001, the revenue increased by 53% from RM11.14 million to RM17.01 million as a result of the Company's continued aggressive marketing efforts. In 2001, the Company managed to secure one big customer, a distributor cum manufacturer based in the US which supplies to large "Do It Yourself" stores. Hence, the profit before taxation also increases in tandem with the increase in revenue.*
3. *In 2002, the revenue increased by only 10% from RM17.01 million to RM18.69 million. The increase was due to conflicting factors which includes the terrorist attack in the US, which resulted in a complete halt to orders from the US from a 4 month period due to the uncertainties with regards to the US economy at that time and the subsequent recovery which resulted in the distributors needing to replenish their inventories. In addition, volume of sales to the US surged in the months of May to August 2001 prior to the terrorist attack on 11 September 2001 also contributed significantly to the revenue recorded in 2002.*
4. *In 2003, the revenue increased by 44% from RM18.69 million to RM26.86 million. The significant increase in revenue is mainly due to the significant increase in orders from US and Eastern Europe. In the US, there was a huge increase in demand for building decorative materials as a result of the increase in renovation and remodelling work carried out, while the higher sales recorded in Eastern Europe is a result of the aggressive promotion drive conducted by Saferay's distributors. The increase in the profit before taxation is contributed by higher gross margin of its products. The higher gross margin of its products are contributed by higher efficiency of production, hence reduced overhead cost as well as the introduction of new designs which fetched higher prices, thus higher margins.*

*In addition, Saferay also managed to secure new distributors or agents in Taiwan, Japan, the US and India, which also contributed to the increase in revenue recorded for the year.*

5. *The revenue for the five (5) months ended 30 September 2003 is slightly higher as compared to the previous financial year on an annualized basis. Despite the increase in revenue, the profit before taxation was 16% lower as against previously as there was no introduction of new designs in the US and Eastern Europe market during the period, in which case, new designs usually fetch higher margins at the time of launching. The growth in revenue was lower than expected due to the impact of the SARS outbreak affecting the sales towards the middle of the year.*

There were no exceptional or extraordinary items in the financial years/period under review. The audited accounts of Saferay were not subject to any qualification in the financial years/period under review except as disclosed below:

- For the financial years ended 30 April 1999 to 30 April 2000, the auditors were unable to form an opinion on the inventory balances. Inventories were stated at quantities and values as certified by the directors of Saferay. This issue has been subsequently rectified from financial year ended 30 April 2001 onwards whereby the auditors attended the stock takes and verified the existence of the inventories at the financial year ends.

## 11.2 Working Capital, Borrowings, Litigation, Contingent Liabilities and Material Commitment

### 11.2.1 Working Capital

The Directors of Mithril are of the opinion that after taking into account the Group's cashflow position and banking facilities available, the Group will have adequate working capital for its present and foreseeable requirements.

**11. FINANCIAL INFORMATION (Cont'd)****11.2.2 Borrowings**Mithril Group

As at 31 January 2004, the total borrowings of the Mithril Group amounted to RM236.199 million, all of which are interest bearing debts including lease and hire purchase obligations.

<b>Outstanding borrowings</b>	<b>Payable within 12 months RM'000</b>	<b>Payable after 12 months RM'000</b>	<b>Total RM'000</b>
<u>Tajo Group</u>			
Loans	153,056	-	153,056
Overdraft	58,107	-	58,107
Hire purchase	13,872	11,164	25,036
<b>Total</b>	<b>225,035</b>	<b>11,164</b>	<b>236,199</b>

Save as disclosed above, the Mithril Group does not have any other borrowings, indebtedness in the form of borrowings, including bank overdraft, liabilities under acceptances and hire purchase.

All the abovementioned borrowings are currently in default in respect of payment of interest and principal sum throughout the past one (1) financial year and the subsequent financial period thereof immediately preceding the date of this Prospectus. However, following the completion of the Restructuring Exercise of Tajo, a total of RM216.178 million of the borrowings mentioned above, will be settled pursuant to the Debt Settlement of Tajo. Tajo, Mithril and the Scheme Creditors had on 30 September 2003, entered into a Debt Settlement and Restructuring Agreement, whereby the existing debts of Tajo Group will be settled by a combination of Mithril Shares together with free Warrants B, ICCPS and cash.

Saferay

As at 31 January 2004, the total borrowings of Saferay amounted to RM5.773 million, all of which are interest bearing debts.

<b>Outstanding borrowings</b>	<b>Payable within 12 months RM'000</b>	<b>Payable after 12 months RM'000</b>	<b>Total RM'000</b>
Loans	118	538	656
Overdraft	698	-	698
Banker's acceptance and credit financing	4,419	-	4,419
<b>Total</b>	<b>5,235</b>	<b>538</b>	<b>5,773</b>

Save as disclosed above, the Mithril Group does not have any other borrowings, indebtedness in the form of borrowings, including bank overdraft, liabilities under acceptances and hire purchase.

**11.2.3 Litigation**

Save as disclosed in Section 15.6 of this Prospectus, the Company and its subsidiaries are not engaged in any material litigation, either as plaintiff or defendant, and the Directors of the Company 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 position or business of the Mithril Group.

**11. FINANCIAL INFORMATION (Cont'd)****11.2.4 Contingent Liabilities**

As at the date of this Prospectus, the Directors of Mithril are not aware of any contingent liabilities (not in the ordinary course of business of the Mithril Group) which, upon becoming enforceable, may have a material adverse impact on the profit or net assets value of the Mithril Group.

**11.2.5 Material Commitment**

As at the date of this Prospectus, the Directors of Mithril are not aware of any material capital commitments for capital expenditure contracted or known to be contracted by the Mithril Group which may have a material impact on the financial position of the Mithril Group.

**11.3 Consolidated Profit Forecast**

Barring any unforeseen circumstances and the bases and assumptions set out below, the Directors of Mithril forecast the following for the financial year ending 31 December 2004:

Financial year ending 31 December	<b>2004 RM'000</b>
Revenue	63,988
Consolidated profit before exceptional items and taxation	2,618
Less: Exceptional items (Note 2)	(171,886)
Consolidated loss before taxation	(169,268)
Less: Taxation	(2,575)
Consolidated loss for the year	(171,843)
Weighted-average number of ordinary shares in issue (Note 3)	77,577
Gross earnings/loss per share (sen)	
- before exceptional items	3.37
- after exceptional items	(218.19)
Net earnings/loss per share (sen)	
- before exceptional items	0.06
- after exceptional items	(221.51)
Diluted net earnings per share (sen) (Note 4)	
- before exceptional items	1.78
- after exceptional items	-
* based on weighted-average number of ordinary share in issue and dilutive potential ordinary shares	279,354
Net PE Multiple based on issue price of RM1.00 per Mithril Share (times)	
- before exceptional items	1,804
- after exceptional items	N/A <sup>^</sup>
Diluted net PE Multiple based on issue price of RM1.00 per Mithril Share (times)	
- before exceptional items	56.21
- after exceptional items	N/A <sup>^</sup>

*Notes:*

- The proforma consolidated loss after taxation but before exceptional items for the financial year ending 31 December 2004 combines the results of operations of Tajo Group to be acquired, as if the acquisitions occurred at the beginning of the financial year presented.*

**11. FINANCIAL INFORMATION (Cont'd)**

2. *Exceptional items for the year ending 31 December 2004 represent the following:*

	<i>RM'000</i>
<i>Write back of loan interest waived by the Scheme Creditors</i>	<i>(33,678)</i>
<i>Write off of goodwill on consolidation</i>	<i>205,564</i>
	<u><i>171,886</i></u>

3. *The weighted-average number of ordinary shares in issue has been calculated as if the Restructuring Exercise is effected on 1 January 2004 for the financial year ending 31 December 2004. Accordingly, the basic net earnings per share has been computed using this weighted-average number of ordinary shares calculated.*

4. *Diluted net earnings per share has been computed using the weighted-average number of issued and paid-up shares and dilutive potential of ordinary shares from the proposed ICULS, RCSLS, RCULS, ICCPS, Warrants B and the consolidated profit after taxation (after incorporating the net interest savings of RM4,927,000 arising from the full conversion of the RCSLS, ICULS, RCULS and ICCPS). None of the Warrants A has been exercised as the Warrants A has expired on 27 December 2003. It is assumed that the exercise price for the options granted under the proposed ICULS, RCSLS, RCULS, ICCPS and Warrants B to be RM1.00 per ordinary share and the market value of the at time of exercise is RM1.00 per share. Diluted net earnings per share after exceptional items for the financial year ending 31 December 2004 is not presented as the computation resulted in a higher net earnings per share (anti-dilutive).*

^ *Not applicable as the PE Multiple is negative.*

The principal assumptions upon which the consolidated profit forecast has been made, are set out in the Reporting Accountants' Letter which, in turn, is set out in Section 11.4 of this Prospectus.

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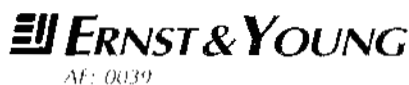
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**11. FINANCIAL INFORMATION (Cont'd)**

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**11.4 Reporting Accountants' Letter on the Consolidated Profit Forecast**

*(Prepared for inclusion in the Prospectus)*



■ **Chartered Accountants**  
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**REPORTING ACCOUNTANTS' LETTER ON  
THE CONSOLIDATED PROFIT FORECAST  
(prepared for inclusion in the Prospectus)**

4 March 2004

The Board of Directors  
MITHRIL BERHAD  
Suit 18.05, 18<sup>th</sup> Floor  
Menara MAA  
No 12, Jalan Dewan Bahasa  
50460 Kuala Lumpur

Dear Sirs

**MITHRIL BERHAD  
PRO FORMA CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR  
ENDING 31 DECEMBER 2004**

We have reviewed the forecast of pro forma consolidated loss after taxation of Mithril Berhad ("Mithril") and its subsidiaries ("Pro forma Mithril Group" or the "Pro forma Group") for the financial year ending 31 December 2004, as set out in the accompanying Appendix which we have stamped for the purpose of identification, in accordance with the professional standard in Malaysia applicable to the review of forecasts, AI 810. The forecast has been prepared for inclusion in the Prospectus of Mithril in connection with the Proposed Restructuring Exercise ("Restructuring Exercise") of Tajo Berhad ("Tajo") and its subsidiaries ("Tajo Group"). The Restructuring Exercise undertaken by Mithril/Tajo is summarised as follows:

- (i) the reduction of the following:
  - (a) the existing issued and paid-up share capital of RM39,450,500 comprising 39,450,500 Tajo Shares to RM395,005 comprising 39,540,500 ordinary shares of RM0.01 each pursuant to Section 64 of the Companies Act, 1965 (the "Act"), by the cancellation of RM0.99 of the par value of every existing Tajo Share and thereafter consolidating every one hundred (100) ordinary shares of RM0.01 each into one (1) new Tajo Share ("New Consolidated Share"); and
  - (b) the existing unexercised warrants of Tajo of 14,797,500 warrants, pursuant to Section 64 of the Act to 147,975 warrants on the basis of one hundred (100) warrants into one (1) new warrant ("New Consolidated Warrant");

collectively referred to as "Capital Reconstruction".



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**11. FINANCIAL INFORMATION (Cont'd)**


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Mithril Berhad

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- (ii) the cancellation of Tajo's share premium account, pursuant to Section 64(1) of the Act wherein the audited share premium of Tajo as at 30 September 2003 stood at RM17,105,963;
- (iii) a scheme of arrangement between Tajo, its shareholders and Mithril under Section 176 of the Act whereby the shareholders of Tajo exchange one (1) new Mithril Share for every one (1) New Consolidated Share held upon completion of the Capital Reconstruction as well as a scheme of arrangement between Tajo, its warrant holders and Mithril under Section 176 of the Act whereby the warrant holders of Tajo exchange one (1) new Warrants A for every one New Consolidated Warrant held upon completion of the Capital Reconstruction.

Upon completion of the Restructuring Exercise, Tajo will become a wholly-owned subsidiary of Mithril. Mithril will emerge as the new listing vehicle in place of Tajo and the holding company of Tajo. Upon the completion of the Restructuring Exercise, the acquisitions of Saferay (M) Sdn Bhd ("Saferay") and the two (2) Menara MAA buildings located in Kota Kinabalu and Kuching will also be completed

- (iv) The fund raising exercise comprising the following:
  - a right issue of 15,816,080 Rights Shares together with 5,272,027 free detachable Warrants B on the basis of forty (40) new Rights Shares for every one (1) Mithril Share held after the Scheme of Arrangement together with one (1) new Warrants B for every three (3) Rights Shares issued;
  - an issue of RM59,000,000 nominal amount of RCSLS at 100% nominal value; and
  - an issue of RM60,700,000 nominal amount of ICULS at 100% nominal value;
- (v) The debt settlement of Tajo amounting to RM175.582 million as at 30 September 2001 (including accrued interest up to 30 September 2001) between Tajo, Mithril and the Scheme Creditors to be settled by the issuance of 61,365,507 new Mithril Shares together with 32,998,753 free Warrants B, 13,306,270 ICCPS and a cash payment of RM12,481,809;
- (vi) The acquisition of the entire issued and paid-up share capital of Saferay comprising 1,200,000 ordinary shares of RM1.00 each from Ong Kah Huat and Cheong Chee Yun for a purchase consideration of RM48,000,000 and to be satisfied in the following manner:
  - (a) RM17,500,000 in cash; and
  - (b) RM30,500,000 nominal amount of 1% 5 year RCULS in Mithril convertible into new Mithril Shares at par;

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**11. FINANCIAL INFORMATION (Cont'd)**

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- (vii) The acquisition of twenty-nine (29) subsidiary parcels of commercial/office space situated on the Ground, Mezzanine, First, Second, Third, Fifth, Sixth, Seventh and Eighth Floors with a net lettable area of 189,727 square feet together with 195 units of basement carpark bays forming part of a 11 storey office building with 3 basement carpark located in Kota Kinabalu for a cash consideration of RM65,000,000;
- (viii) The acquisition of all the subsidiary parcels within 8 levels encompassing the whole of the Basement Level, Level 1, Level 3, Level 5, Level 6, Level 7, Level 8 and Level 9 with an approximate total net lettable area of 50,653 square feet within a 11 storey office building together with basement floor and an open-air carpark located in Kuching for a cash consideration of RM20,000,000; and
- (ix) The transfer of the listing status of Tajo to Mithril and the subsequent listing of Mithril on the Second Board of the KLSE in place of Tajo in place of Tajo upon completion of the Restructuring Exercise.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the directors as set out in the accompanying Appendix and is presented on a basis consistent with the accounting policies adopted and disclosed by Mithril/Tajo Group in their audited financial statements for the period ended 30 September 2003. The directors of Mithril are solely responsible for the preparation and presentation of the pro forma consolidated loss forecast and the assumptions on which the forecast is based.

A 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 variations could be material.

Subject to the matters stated in the preceding paragraphs:

- (a) nothing has come to our attention which causes us to believe that the assumptions made by the directors, as set out in the Appendix, do not provide a reasonable basis for the preparation of the forecast of consolidated loss after taxation; and
- (b) in our opinion, the forecast of consolidated loss after taxation, 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 by Mithril/Tajo Group in their audited financial statements for the period ended 30 September 2003.

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11. FINANCIAL INFORMATION (Cont'd)

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Mithril Berhad

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The accompanying forecast and this letter have been prepared solely for the purposes stated above, in connection with the Restructuring Exercise. This letter is not to be reproduced, referred to in any other document or used for any other purpose without our prior written permission.

Yours faithfully

*Ernst & Young*

ERNST & YOUNG  
No. AF 0039  
Chartered Accountants

*Gloria*

GLORIA GOH EWE GIM  
No. 1685/04/05(J)  
Partner of the Firm

**11. FINANCIAL INFORMATION (Cont'd)**

**Appendix**  
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**MITHRIL BERHAD**  
**PRO FORMA CONSOLIDATED PROFIT FORECAST**  
**FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2004**

The directors of Mithril Berhad ("Mithril") and its subsidiaries ("Mithril Group" or the "Pro Forma Group") forecast that, barring unforeseen circumstances, the pro forma consolidated loss after taxation for the year ending 31 December 2004 will be as follows:

	<b>Financial year ending 31 December 2004 RM'000</b>
Revenue	<u>63,988</u>
Consolidated profit before exceptional items and taxation	2,618
Less: Exceptional items (Note 2)	<u>(171,886)</u>
Consolidated loss before taxation	(169,268)
Less: Taxation	<u>(2,575)</u>
Consolidated loss for the year	<u>(171,843)</u>
Weighted-average number of ordinary shares in issue (Note 3)	<u>77,577</u>
Gross earnings/loss per share (sen)	
- before exceptional items	3.37
- after exceptional items	<u>(218.19)</u>
Net earnings/loss per share (sen)	
- before exceptional items	0.06
- after exceptional items	<u>(221.51)</u>
Diluted net earnings per share (sen) (Note 4)	
- before exceptional items	1.78
- after exceptional items	<u>-</u>
* based on weighted-average number of ordinary shares in issue and dilutive potential ordinary shares	<u>279,354</u>
Net PE Multiple (based on the Offer Price of RM1 per share) (times)	
- before exceptional items	1,804
- after exceptional items	<u>N/A*</u>
Diluted Net PE Multiple (based on the Offer Price of RM1 per share) (times)	
- before exceptional items	56.21
- after exceptional items	<u>N/A*</u>

\* As the Net PE Multiple is in negative.

**11. FINANCIAL INFORMATION (Cont'd)**

**Appendix**  
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Notes:

1. The pro forma consolidated loss after taxation but before exceptional items for the financial year ending 31 December 2004 combines the results of operations of Tajo Berhad and the subsidiary company to be acquired, as if the acquisitions occurred at the beginning of the financial year presented.
2. Exceptional items for the year ending 31 December 2004 represented the following:

	<b>RM'000</b>
Write back of loan interest waived by the Scheme Creditors	(33,678)
Write off of goodwill on consolidation	205,564
	171,886

3. The weighted-average number of ordinary shares in issue has been calculated as if the Restructuring Exercise is effected on 1 January 2004 for the financial year ending 31 December 2004. Accordingly, the basic net earnings per share has been computed using this weighted-average number of ordinary shares calculated.
4. Diluted net earnings per share has been computed using the weighted-average number of issued and paid-up shares and dilutive potential ordinary shares from the proposed ICULS, RCSLS, RCULS, ICCPS, Warrants B and the consolidated profit after taxation (after incorporating the net interest savings of RM4,927,000 arising from the full conversion of the RCSLS, ICULS, RCULS and ICCPS). None of the Warrants A has been exercised as the Warrants A has expired on 27 December 2003. It is assumed that the exercise price for the options granted under the proposed ICULS, RCSLS, RCULS, ICCPS and Warrants B to be RM1.00 per ordinary share and the market value of the shares at time of exercise is RM1.00 per share. Diluted net earnings per share after exceptional items for the financial year ending 31 December 2004 is not presented as the computation resulted in a higher net earnings per share (anti-dilutive).

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

**General Assumptions**

1. There will be no significant changes in the political, economic and market conditions in Malaysia and elsewhere that will materially affect the activities or performance of the Pro Forma Group;
2. Inflation, foreign currency exchange rates and interest rates will not vary significantly from those forecasted;
3. There will be no material changes in the present legislation or government regulations, rates and duties, levies and taxes which will adversely affect the operations of the Pro Forma Group and the market in which it operates;
4. There will be no material changes in the current principal activities, composition and structure of the Pro Forma Group and there will be no major industrial disputes or any abnormal circumstances which will adversely affect the operations or sales of the Pro Forma Group or disrupt its planned operations, suppliers and customers;

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Appendix**  
**Page 3 of 4**

**General Assumptions (Contd.)**

5. Existing financing facilities except those converted to securities will continue to be available to the Pro Forma Group and all expiring financing facilities will be renewed and the rate of interest will not change significantly from the prevailing rates. The Pro Forma Group will also be able to secure new short-term financing facilities as and when required to meet its working capital requirements.
6. No penalty interest will be imposed by its creditors and financial institution lenders on any of the defaulted balances or financing facilities of Tajo Group;
7. There will be no material changes in the current key personnel and management of Pro Forma Group that will adversely affect the operational and marketing capabilities of Pro Forma Group;
8. There will be no material changes in the existing policies pertaining to its accounting, management, marketing and operations of the Pro Forma Group;
9. The Pro Forma Group will not engage in any material litigations and there will be no legal proceedings against the Pro Forma Group which will adversely affect the activities or performance of the Pro Forma Group or give rise to any contingent liabilities which will materially affect the position or business of the Pro Forma Group;
10. There will be no material changes in the composition of cost of goods sold;
11. There will be no major breakdown or disruption of facilities and supply of raw materials, which will adversely affect the operations of the Pro Forma Group;
12. There will be sufficient skilled and unskilled labour, materials, services, plant and machinery and equipment to meet the operational requirements of the Pro Forma Group;
13. There will be no material increase in cost of raw materials, wages and other incidental costs that will adversely affect the activities and operations of the Pro Forma Group;
14. There will be no material deviation to the administration and operating costs of the Pro Forma Group as forecast by the management;
15. The credit periods extended to customers will be maintained at current levels and there will be no major incidences of bad debts for the Pro Forma Group;
16. There will not arise any instances or events requiring material provisions for diminution in value or write-off of assets;
17. There will be no material acquisitions or disposals of property, plant and equipment other than those disclosed in Notes 20, 21 and 24 and there will be no major delay or variation in the implementation of forecast capital expenditure program of the Pro Forma Group; and
18. There will be no significant changes in the present structure of direct and indirect taxation affecting the Pro Forma Group's activities. There will be no significant changes in corporate taxation rates or other levies from current levels.

**11. FINANCIAL INFORMATION (Cont'd)**

**Appendix**  
**Page 4 of 4**

**Specific Assumptions**

19. The sales of brick products forecast by the management of Tajo Group will materialise as follows:

<b>Products</b>	<b>Volume 2004</b>	<b>Amount 2004</b>
	BEU'000	RM'000
Common Bricks	41,529	7,267
Quality Bricks	3,841	1,675
Veneers	727	859
Pavers	5,411	3,787
Slim Bricks	653	888
	<u>52,161</u>	<u>14,476</u>

\* BEU - Brick Equivalent Unit

20. The Group will convert the plantation land located at Mukim of Bukit Kepong to industrial land during the financial year ending 31 December 2004. The conversion premium is estimated by the directors at approximately RM170,000;
21. Tajo Group will extend the lease period for the leasehold quarry land located at Mukim of Sedenak and convert the land to an industrial land during the financial year ending 31 December 2005. The extension and conversion premium is estimated by the directors at RM5,500,000; and
22. The assets at Sedenak brick plant, which was shut down at the end of March 2002, will be left idle by Tajo Group.
23. The sales of polyurethane products forecast by the management of Saferay will materialise as follows:

<b>Product</b>	<b>Volume 2004</b>	<b>Amount 2004</b>
	TEU'000	RM'000
Polyurethane	<u>562</u>	<u>42,712</u>

\* TEU – 20 - Foot Equivalent Unit

24. The capital expenditure for the expansion in Saferay's manufacturing activities of polyurethane products will be as forecast.
25. The lease rental income is generated from Malaysian Assurance Alliance Berhad ("MAA"). Lease period is for 5 years, which will be commencing in January 2004 with an option, exercisable by MAA to extend the lease for a further five (5) years subject to a maximum increase of 10% on the current rental price. The rental is payable in arrears by quarterly instalments by or on 26<sup>th</sup> day of each third month. Rental income will be received as planned and there will be no major incidences of bad debts.

**11. FINANCIAL INFORMATION (Cont'd)****11.5 Directors' Commentary on the Consolidated Profit Forecast**

For the financial year ending 31 December 2004, the Mithril Group is forecasted to achieve a consolidated profit before taxation (before exceptional items) and consolidated profit after taxation (before exceptional items) of approximately RM2.618 million and RM0.043 million respectively, on the back of the Group's revenue of approximately RM63.99 million. The revenue of approximately RM63.99 million is to be contributed by Safestay of approximately RM42.71 million, Tajo of approximately RM14.48 million and the two Menara MAA buildings of RM6.80 million.

The Directors of Mithril have reviewed and analysed the reasonableness of the bases and assumptions used in arriving at the consolidated profit forecast for the financial year ending 31 December 2004 and are of the opinion that the consolidated profit forecast for the financial year ending 31 December 2004 to be true and fair in light of the future prospects of the Group.

**11.6 Dividend Forecast**

It is the policy of the Directors of Mithril in recommending dividends to allow shareholders to participate in the profit of the Company while leaving sufficient reserves for the future growth of the Group.

The Directors of Mithril are of the opinion that it would be more beneficial for Mithril to conserve any excess cashflow for the future expansion of the Group. Accordingly, the Directors of Mithril do not expect to declare any dividend for the financial year ending 31 December 2004.

**11.7 Sensitivity Analysis**

The principal bases and assumptions which have been varied for the purpose of the sensitivity analysis on the consolidated profit forecast are as follows:

- (i) The selected variable items will vary  $\pm 5\%$ ,  $\pm 10\%$  and  $\pm 15\%$  from the base case;
- (ii) The overhead expenses will be maintained; and
- (iii) Except for the assumptions in (i) and (ii), the same assumptions as for the base case shall apply.

The following scenario attempts to show the impact on the consolidated profit forecast for the financial year ending 31 December 2004 resulting from changes in selling price, sales volume and cost of sales.

**Change in Selling Price**

	-15%	-10%	-5%	0%	+5%	+10%	+15%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Profit	15,338	18,197	21,057	23,916	26,775	29,635	32,494
Profit/(loss) after taxation							
- before exceptional items	(6,834)	(4,542)	(2,250)	43	2,334	4,626	6,918
- after exceptional items	(178,720)	(176,428)	(174,136)	(171,843)	(169,552)	(167,260)	(164,968)



**11. FINANCIAL INFORMATION (Cont'd)****Change in Sales Volume**

	<b>-15%</b>	<b>-10%</b>	<b>-5%</b>	<b>0%</b>	<b>+5%</b>	<b>+10%</b>	<b>+15%</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross Profit	19,465	20,948	22,432	23,916	25,400	26,884	28,367
Profit/(loss) after taxation							
- before exceptional items	(3,637)	(2,411)	(1,184)	43	1,269	2,495	3,722
- after exceptional items	(175,523)	(174,297)	(173,070)	(171,843)	(170,617)	(169,391)	(168,164)

**Change in Cost of Sales**

	<b>-15%</b>	<b>-10%</b>	<b>-5%</b>	<b>0%</b>	<b>+5%</b>	<b>+10%</b>	<b>+15%</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross Profit	29,927	27,923	25,920	23,916	21,912	19,909	17,905
Profit/(loss) after taxation							
- before exceptional items	4,951	3,315	1,678	43	(1,594)	(3,230)	(4,866)
- after exceptional items	(166,935)	(168,571)	(170,208)	(171,843)	(173,480)	(175,116)	(176,752)

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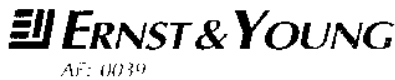
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**11. FINANCIAL INFORMATION (Cont'd)**

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**11.8 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets**

*(Prepared for inclusion in this Prospectus)*



■ **Chartered Accountants**  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia

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[www.ey.com/my](http://www.ey.com/my)

Mail Address:  
P.O. Box 11040  
50734 Kuala Lumpur, Malaysia

4 March 2004

The Board of Directors  
Mithril Berhad  
Suite 18.05, 18<sup>th</sup> Floor Menara MAA,  
No.12, Jalan Dewan Bahasa  
50460 Kuala Lumpur

Dear Sirs

**MITHRIL BERHAD – PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2003**

We report on the pro forma consolidated balance sheets set out in the accompanying Appendix, which we have stamped for the purpose of identification, for the inclusion the Prospectus in relation to the Proposed Restructuring Exercise of Tajo Group (hereinafter referred to as the “Restructuring Exercise”). The pro forma consolidated balance sheets have been prepared for illustrative purposes only, to provide information about how the consolidated balance sheets of Mithril Berhad and its subsidiaries as at 30 September 2003 that have been presented might have been affected by the Restructuring Exercise had the Restructuring Exercise been completed on that date.

It is the responsibility solely of the directors of Mithril Berhad to prepare the pro forma consolidated balance sheets in accordance with the requirements of the Securities Commission Prospectus Guidelines (Revised 1 April 2003) in respect of Public Offerings (“the Guidelines”).

It is our responsibility to form an opinion, as required by the Guidelines, paragraph 22, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the pro forma consolidated balance sheets with responsible officers of Mithril Berhad. Our work involved no independent examination of any of the underlying financial information other than our audit of the consolidated financial statements that included the audited consolidated balance sheet as at 30 September 2003, on which we reported to the members of the Company as of the date of our report.

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11. FINANCIAL INFORMATION (Cont'd)

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AF: 0039

In our opinion:

- (a) the pro forma consolidated balance sheets have been properly compiled on the bases stated; and
- (b) within the context of the assumed date of the Restructuring Exercise:
  - (i) such bases are consistent with the accounting policies of Mithril Berhad; and
  - (ii) the adjustments set out are appropriate for the purposes of the pro forma consolidated balance sheets of the Guidelines.

The accompanying pro forma balance sheets and this letter have been prepared solely for the purposes stated above, in connection with the Restructuring Exercise. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

*Ernst & Young*

**ERNST & YOUNG**

AF:0039

Chartered Accountants

Kuala Lumpur, Malaysia

*Gloria Goh Ewe Gim*

**Gloria Goh Ewe Gim**

No. 1685/04/05(J)

Partner of the Firm

## 11. FINANCIAL INFORMATION (Cont'd)

Appendix  
Page 1 of 8

## PRO FORMA CONSOLIDATED BALANCE SHEETS OF MITHRIL BERHAD AND ITS SUBSIDIARIES AS AT 30 SEPTEMBER 2003

The following Pro forma Consolidated Balance Sheets of Mithril Berhad ("Mithril" or "the Company") and its subsidiaries ("Mithril Group"), have been prepared solely for illustrative purposes only to show the effects of the Restructuring Exercise of Tajo Group on the audited consolidated balance sheet of Mithril Group as at 30 September 2003.

Audited as at 30.9.2003	(I)		(II)		(III)		(IV)		(V)		(VI)	
	RM'000	Pro forma Adjustment	RM'000	After (I) and Pro forma	RM'000	After (II) and Pro forma	RM'000	After (III) and Pro forma	RM'000	After (IV) and Pro forma	RM'000	After (V) and Pro forma
	1	2	1	2	3	3	4	4	5	5	6	6
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>												
Property, plant and equipment	-	35,697	35,697	-	47,842	47,842	-	47,842	-	47,842	-	47,842
Investment properties	-	-	-	-	89,250	89,250	-	89,250	-	89,250	-	89,250
Other investments	-	-	-	-	7	7	-	7	-	7	-	7
Goodwill on consolidation	-	-	-	-	29,010	29,010	-	29,010	-	29,010	-	29,010
	-	35,697	35,697	-	130,412	166,109	-	166,109	-	166,109	-	166,109
<b>CURRENT ASSETS</b>												
Inventories	-	1,889	1,889	-	8,073	9,962	-	9,962	-	9,962	-	9,962
Trade receivables	-	838	838	-	7,749	8,587	-	8,587	-	8,587	-	8,587
Other receivables	-	1,573	1,573	-	7,092	8,665	-	8,665	-	8,665	-	8,665
Cash and bank balances	-	652	652	15,816	13,392	29,860	(15,482)	14,378	-	14,378	38,271	52,649
	-	4,952	4,952	15,816	36,306	57,074	(15,482)	41,592	-	41,592	38,271	79,863
<b>CURRENT LIABILITIES</b>												
Short term borrowings - Scheme	-	209,260	209,260	-	-	209,260	(209,260)	-	-	-	-	-
Lenders	-	7,906	7,906	-	7,906	12,589	-	12,589	-	12,589	-	12,589
Trade payables	-	4,765	4,765	-	2,614	7,379	-	7,379	-	7,379	-	7,379
Other payables	5	11,369	11,374	-	3,092	14,466	-	14,466	-	14,466	-	14,466
Taxation	-	933	933	-	2,384	3,317	-	3,317	-	3,317	-	3,317
Proposed dividend	-	-	-	-	2,500	2,500	-	2,500	-	2,500	-	2,500
	5	234,233	234,238	-	15,273	249,511	(209,260)	40,251	-	40,251	-	40,251
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(5)	(229,281)	(229,286)	15,816	21,033	(192,437)	193,778	1,341	-	1,341	38,271	39,612
	(5)	(193,584)	(193,589)	15,816	151,445	(26,328)	193,778	167,450	-	167,450	38,271	205,721

## 11. FINANCIAL INFORMATION (Cont'd)

Appendix  
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Audited as at 30.9.2003	(I)		(II)		(III)		(IV)		(V)		After (V) and Pro forma 6	
	Adjustment	Pro forma	Adjustment	Pro forma	Adjustment	Pro forma	Adjustment	Pro forma	Adjustment	Pro forma		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
*	395	395	15,816	16,211	-	16,211	61,366	77,577	163,506	241,083	38,271	279,354
Share capital												
Irredeemable Convertible Cumulative Preference Shares							11,181	11,181	(11,181)	-	-	-
Irredeemable Convertible Unsecured Loan Stocks ("ICUPS") - Equity						41,311	-	41,311	(41,311)	-	-	-
Redeemable Convertible Secured Loan Stocks ("RCLS") - Equity						16,953	-	16,953	(16,953)	-	-	-
Redeemable Convertible Unsecured Loan Stocks ("RCULS") - Equity						8,524	-	8,524	(8,524)	-	-	-
Reserves						-	85,428	85,428	-	85,428	-	85,428
Accumulated losses	(5)	(205,563)	(205,568)	(205,568)	-	(205,568)	33,678	(171,890)	-	(171,890)	-	(171,890)
Shareholders' (deficit)/funds	(5)	(205,168)	15,816	(189,357)	66,788	(122,569)	191,653	69,084	85,537	154,621	38,271	192,892
Hire purchase and lease creditors		11,584	-	11,584	-	11,584	-	11,584	-	11,584	-	11,584
Term loan		-	-	-	595	595	-	595	-	595	-	595
Deferred taxation		-	-	-	650	650	-	650	-	650	-	650
Irredeemable Convertible Cumulative Preference Shares												
Irredeemable Convertible Unsecured Loan Stocks ("ICUPS") - Liability							2,125	2,125	(2,125)	-	-	-
Redeemable Convertible Secured Loan Stocks ("RCLS") - Liability						19,389	-	19,389	(19,389)	-	-	-
Redeemable Convertible Unsecured Loan Stocks ("RCULS") - Liability						42,047	-	42,047	(42,047)	-	-	-
Liability												
Redeemable Convertible Unsecured Loan Stocks ("RCULS") - Liability							21,976	21,976	(21,976)	-	-	-
	-	11,584	-	11,584	84,657	96,241	2,125	98,366	(85,537)	12,829	-	12,829
(5)	(193,584)	(193,589)	15,816	(177,773)	(151,445)	(26,328)	193,778	167,450	-	167,450	38,271	205,721
Net tangible (liabilities)/assets per share (RM)	(2,500.00)	(519.43)	(11.68)	(9.35)	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.59

\*- share capital of RM2.00.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Appendix  
Page 3 of 8****NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2003**

The Pro forma Consolidated Balance Sheets of Mithril Group have been prepared for illustrative purposes only based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements and are based on:

- the audited balance sheet of Mithril Berhad as at 30 September 2003;
- the audited consolidated balance sheet of Tajo Group as at 30 September 2003. It should be noted that the auditors' report for Tajo financial statements includes an emphasis of matter paragraph on the net current liability position and capital deficiency as a result of losses sustained up to that year. The accounts have been drawn up on a going concern basis on the presumption that Tajo Group will continue to receive financial support from its shareholders, bankers and from other sources and that future operating results of Tajo Group will improve consequently and the realisation of assets and settlement of liabilities will occur in the ordinary course of business; and
- have been prepared as if the implementation in full of the Restructuring Exercise had taken place as at 30 September 2003.

Pursuant to the adoption of MASB 24: Financial Instruments: Disclosure and Presentation, the Redeemable Convertible Secured Loan Stocks ("RCSLS"), Irredeemable Convertible Unsecured Loan Stocks ("ICULS"), Redeemable Convertible Unsecured Loan Stocks ("RCULS") and Irredeemable Cumulative Convertible Preference Shares ("ICCPS") are deemed to be financial instruments, hence their respective component parts have been separately classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition and the definitions of a financial liability and an equity instrument.

**1. ADJUSTMENT 1 - Proposed Scheme of Arrangement**

Adjustment 1 incorporates the proposed scheme of arrangement between Tajo, its shareholders and Mithril Berhad ("Mithril") under Section 176 of the Companies Act, 1965 whereby the shareholders of Tajo will exchange one (1) new ordinary share of RM1.00 each in Mithril ("Mithril Share") for every one (1) existing ordinary share of RM1.00 each in Tajo upon completion of the Proposed Share Capital and Share Premium Reduction and Share Capital Consolidation in Tajo. In addition, the existing Warrants 1995/2003 of Tajo will likewise be exchanged into new warrants of Mithril ("Warrants A"). The principal terms of Warrants A shall remain the same as per the terms of the existing deed poll of Warrants 1995/2003 ("Proposed Scheme of Arrangement"). The share exchange involving the acquisition of the entire paid-up capital of Tajo by Mithril will result in a goodwill on consolidation of RM205,563,595 which will be written-off immediately.

**2. ADJUSTMENT 2 - Proposed Rights Issue**

Adjustment 2 incorporates the transactions in Adjustment 1 and the proposed rights issue of 15,816,080 new ordinary shares of RM1.00 each in Mithril ("Rights Shares") together with 5,272,027 new warrants in Mithril ("Warrants B") on the basis of forty (40) new Rights Shares for every one (1) Mithril Share held after the Proposed Scheme of Arrangement together with one (1) new Warrants B for every three (3) Rights Shares issued ("Proposed Rights Issue"). The rights issue proceeds will be utilised to part finance the acquisition of the entire issued and paid-up share capital of Saferay.

**11. FINANCIAL INFORMATION (Cont'd)**Appendix  
Page 4 of 8**3. ADJUSTMENT 3 - Proposed RCCLS Issue, Proposed ICULS Issue and Proposed Acquisitions**

Adjustment 3 incorporates the transactions in Adjustment 2 and the following:

- (i) the proposed issue of RM59,000,000 nominal amount of 3% 8-year RCCLS ("Proposed RCCLS Issue");
- (ii) the proposed issue of RM60,700,000 nominal amount of 8% 5-year ICULS ("Proposed ICULS Issue");
- (iii) the proposed acquisitions which consist of the following transactions:
  - a) proposed acquisition of the entire issued and paid-up share capital of Saferay (M) Sdn. Bhd. ("Saferay") comprising 1,200,000 ordinary shares of RM1.00 each from Ong Kah Huat and Cheong Chee Yun for a purchase consideration of RM48,000,000 ("Proposed Saferay Acquisition") to be satisfied in the following manner:
    - RM17,500,000 in cash; and
    - RM30,500,000 nominal amount of 1% 5-year RCULS in Mithril convertible into new Mithril Shares at par;
  - b) proposed acquisition of twenty-nine (29) subsidiary parcels of commercial space situated on the Ground, Mezzanine, First, Second, Third, Fifth, Sixth, Seventh and Eighth Floors with an approximate total lettable area of 189,727 square feet together with 195 units of basement carpark bays forming part of a 11 storey office building with three (3) levels of basement car park known as "Menara MAA" located in Kota Kinabalu ("MAAKK 1") from Malaysian Assurance Alliance Berhad ("MAA") for a cash consideration of RM65,000,000 ("Proposed MAAKK 1 Acquisition");
  - c) proposed acquisition of all the subsidiary parcels of commercial space situated within 8 levels encompassing the whole of the Basement Level, Level 1, Level 3, Level 5, Level 6, Level 7, Level 8 and Level 9 with an approximate total lettable area of 50,653 square feet forming part of a 11 storey office building with basement floor and an open-air car park known as "Menara MAA" located in Kuching ("MAA Kuching") from MAA for a cash consideration of RM20,000,000 ("Proposed MAA Kuching Acquisition");
  - d) Stamp duty expected to be incurred in relation to the Proposed MAAKK 1 Acquisition and Proposed MAA Kuching Acquisition is estimated at RM4,250,000.

**4. ADJUSTMENT 4 - Proposed Debt Settlement**

Adjustment 4 incorporates the transactions in Adjustment 3 and the proposed settlement of debts owing to creditors amounting to RM175,581,552 as at 30 September 2001 to be satisfied via the issuance of 61,365,507 new Mithril Shares together with 32,998,753 new Warrants B, issuance of 13,306,270 4% 5-year ICCPS and a cash payment of RM12,481,809. The interests accrued of RM33,678,641 for the period from 1 October 2001 to 30 September 2003 in relation to the debts owing to Scheme Creditors, are expected to be waived by the lenders and written back to reduce Tajo's accumulated losses. ("Proposed Debt Settlement").

Payment for the cost incurred in relation to the Restructuring Exercise which is estimated at RM3,000,000 will be set off against Tajo's share premium account.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Appendix  
Page 5 of 8****5. ADJUSTMENT 5 - Proposed Conversion of RCULS, RCSLS, ICULS and ICCPS**

Adjustment 5 incorporates the transactions in Adjustment 4 and the conversion of RM30,500,000 nominal amount of RCULS, RM59,000,000 nominal amount of RCSLS, RM60,700,000 nominal amount of ICULS and RM13,306,270 nominal amount of ICCPS each respectively to 163,506,270 new Mithril Shares.

**6. ADJUSTMENT 6 - Exercise of Warrants**

Adjustment 6 incorporates the transactions in Adjustment 5 and the following:

- i) The 147,975 Warrants A issued pursuant to the Scheme of Arrangement which expires on 27 December 2003 has not been extended. Thus the Warrants A is unlikely to be exercised.
- ii) The 38,270,780 Warrants B are exercised at the conversion rate of one (1) new Mithril Share for every one (1) Warrants B held with assumed exercise price of RM1.00 each. The exercise of Warrants B is expected to generate an estimated proceeds for RM38,270,780 through the issuance of 38,270,780 new Mithril Shares.

The full exercise of the Warrants B is for illustrative purposes only. Based on the current market price of Tajo Berhad, it is highly unlikely that the warrants will be exercised and that the estimated proceeds of RM38,270,780 will be realised.



**11. FINANCIAL INFORMATION (Cont'd)****Appendix  
Page 6 of 8****EFFECTS ON SHARE CAPITAL, ACCUMULATED LOSSES AND NON DISTRIBUTABLE RESERVES****Share Capital**

The Pro forma effects on the share capital of Mithril is summarised as follow:

	Ordinary Shares of RM1.00 each RM'000
Ordinary share capital as at 30 September 2003	*
Adjustment 1 - Proposed Scheme of Arrangement	395
Pro forma 1	<u>395</u>
Adjustment 2 - Rights Issue	15,816
Pro forma 2	<u>16,211</u>
Adjustment 4 - Proposed Debt Settlement 2 - Rights Issue	61,366
Pro forma 4	<u>77,577</u>
Adjustment 5 - Full conversion of ICULS	60,700
Adjustment 5 - Full conversion of RCSLS	59,000
Adjustment 5 - Full conversion of RCULS	30,500
Adjustment 5 - Full conversion of ICCPS	13,306
Pro forma 5	<u>241,083</u>
Adjustment 6 - Full Exercise of Warrants B	38,271
Enlarged Ordinary Share Capital after Restructuring Exercise	<u><u>279,354</u></u>

\* - Share capital of RM2.00

**Accumulated Losses**

The movement in accumulated losses resulting from the Restructuring Exercise is as follow:

	RM'000
As at 30 September 2003	(5)
Adjustment 1 - Goodwill written off on proposed acquisition of Tajo by Mithril under Scheme of Arrangement	<u>(205,563)</u>
Pro forma 1	<u>(205,568)</u>
Adjustment 4 - Waiver of interest from 1 October 2001 to 30 September 2003	33,678
Accumulated Losses after Restructuring Exercise	<u><u>(171,890)</u></u>

**11. FINANCIAL INFORMATION (Cont'd)****Appendix  
Page 7 of 8****Reserves**

The movement in non-distributable reserves resulting from the Restructuring Exercise is as follow:

	RM'000
Non-distributable reserves at 30 September 2003	-
Adjustment 4 - Share premium in relation to issuance of Mithril Shares and ICCPS to unsecured creditors of Tajo at an issue price of RM3.36 each respectively	88,428
Adjustment 4 - Stamp duty for Proposed debts settlement	(3,000)
Non-distributable Reserves after Restructuring Exercise	<u>85,428</u>

**Summary of Effects of the Restructuring Exercise to Tajo's Scheme Lenders**

<u>Class of Lenders</u>	<u>Estimated amount outstanding as at 30 September, 2001</u> RM'000	<u>Conversion into Ordinary Mithril Shares</u> '000	<u>Irredeemable Convertible Cumulative Preference Shares</u> '000	<u>Detachable Warrants B</u> '000	<u>Cash Payment</u> RM'000	<u>Total Settlement</u> RM'000
<b>Secured Lenders</b>						
Malaysian Assurance Alliance Berhad	37,202	37,202	-	8,836	-	37,202
<b>Unsecured Lenders</b>						
Malaysian Assurance Alliance Berhad	7,146	1,935	-	1,935	645	7,146
Pengurusan Danaharta	6,623	1,793	-	1,793	597	6,623
Malayan Banking Berhad (includes Pacific Bank and Philleo Allied Bank)	46,231	-	12,518	-	4,170	46,231
Bumiputra-Commerce Bank Berhad	2,936	795	-	795	265	2,936
BSN Merchant Bank Berhad (now under Affin Bank Group after merger)	6,527	1,767	-	1,767	589	6,527
Danaharta Managers	43,160	11,687	-	11,687	3,893	43,160
HSBC Bank Berhad	4,228	1,145	-	1,145	381	4,228
Arab Malaysian Bank Berhad (now known as Ambank Berhad)	4,222	1,143	-	1,143	381	4,222
MAA Credit	10,472	2,835	-	2,835	945	10,472
Ascambankers	2,910	-	788	-	262	2,910
Arab Malaysian Finance Berhad (now known as AmFinance Berhad)	3,925	1,063	-	1,063	354	3,925
	<u>138,380</u>	<u>24,163</u>	<u>13,306</u>	<u>24,163</u>	<u>12,482</u>	<u>138,380</u>
	<u>175,582</u>	<u>61,366</u>	<u>13,306</u>	<u>32,999</u>	<u>12,482</u>	<u>175,582</u>

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Appendix  
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*Notes:*

- 1) *The estimated amount outstanding as at the cut-off date of 30 September 2001 to Secured and Unsecured Bank Creditors of Tajo Group of approximately RM175,581,552 is inclusive of accrued interest up to 30 September 2001. The lenders of Tajo Group have signed a Debt Settlement and Restructuring Agreement ("DSA") with Tajo and Mithril on 30 September 2003. In view of the agreement from all lenders on the settlement of the debts due via the DSA, it is assumed that Mithril will not incur any additional interest from 1 October 2001 until the date of settlement which is defined as on or before 31 March 2004 in the DSA.*
- 2) *The Secured Lenders will undertake a 100% debt to equity/warrant conversion for the secured portion, i.e. issuance of new Mithril Shares to settle secured portion outstanding as well as issuance of Warrants B on the basis of 19 Warrants B for every 80 Mithril Shares issued. The issue price of Mithril Shares is set at RM1.00 per Mithril Share.*
- 3) *Unsecured lenders shall be repaid approximately 9% of the total principal and interest amounts outstanding as at 30 September 2001. The remaining amount outstanding as at 30 September, 2001 shall be converted as follows:*
  - (i) *59% of total debt outstanding to new Mithril Shares as well as issuance of Warrants B on the basis of 1 Warrants B for every 1 Mithril Share issued. The issue price of Mithril Shares is set at RM3.36 per Mithril Share.*
  - (ii) *32% of total debt outstanding to ICCPS. The conversion price of the debts into ICCPS is priced at approximately RM3.36 per ICCPS.*