XI. FINANCIAL INFORMATION

1. HISTORICAL FINANCIAL INFORMATION

1.1 Proforma Consolidated Income Statements

The table below sets out a summary of the proforma audited consolidated income statements of the OHB Group for the past five (5) financial years ended 30 November 2003 and the six (6)-month period ended 31 May 2004, as extracted from the Accountants' Report in Part XII of this Prospectus and prepared based on the assumption that the current structure of the OHB Group has been in existence throughout the financial years/period under review. The proforma consolidated income statements of the OHB Group are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions to the proforma consolidated income statements as included in the Accountants' Report as set out in Part XII of this Prospectus:

	<------------------------------Audited					------------------------------>
	<--------Financial years ended 30 November				-------->	Six (6)-month period ended 31 May
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
	RM 000	**RM 000**	**RM 000**	**RM 000**	**RM 000**	**RM 000**
Revenue	606,221	796,136	556,646	660,568	863,247	517,683
EBITDA	56,181	53,421	52,084	103,094	135,231	90,952
Interest expense	(39,656)	(32,140)	(21,226)	(14,474)	(9,972)	(3,469)
Depreciation	(32,073)	(34,660)	(34,717)	(34,748)	(31,984)	(16,023)
(Loss)/PBT	(15,548)	(13,379)	(3,859)	53,872	93,275	71,460
Taxation	(537)	(152)	(4,263)	(8,495)	(26,366)	(20,034)
(Loss)/PAT	(16,085)	(13,531)	(8,122)	45,377	66,909	51,426
Number of OHB Shares assumed in issue[1] (000)	380,000	380,000	380,000	380,000	380,000	380,000
Gross EPS[2] (sen)	(4.09)	(3.52)	(1.02)	14.18	24.55	18.81[#]
Net EPS[2] (sen)	(4.23)	(3.56)	(2.14)	11.94	17.61	13.53[#]

Notes:

1 *The assumed issued and paid-up share capital of 380,000,000 OHB Shares is based on the issued and paid-up share capital of OHB after the Acquisitions.*

2 *The gross EPS and net EPS are calculated by dividing the (Loss)/PBT and (Loss)/PAT respectively by the number of OHB Shares assumed in issue.*

3 *There were no extraordinary items in respect of the financial years/period under review.*

\# *The gross EPS and net EPS are calculated based on the PBT and PAT respectively for the six (6)-month period ended 31 May 2004. Please refer to Section 6.1 of this Part of this Prospectus for the consolidated profit estimate for the financial year ending 30 November 2004.*

1.2 Directors' Declaration on Financial Performance, Position and Operations

Save as disclosed in this Prospectus, as at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, the financial performance, position and operations of the OHB Group are not affected by the following:

(i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group;

(ii) other material commitments for capital expenditure;

(iii) unusual or infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and

(iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis with respect to the five (5) financial years ended 30 November 2003 and the six (6)-month period ended 31 May 2004 are based on, and should be read in conjunction with, the Accountants' Report set out in Part XII of this Prospectus, the audited financial statements and related notes thereto of OHB, Ornasteel, Group Steel and Ornaconstruction, and selected financial and operating data and related notes thereto of the OHB Group for the five (5) financial years ended 30 November 2003 and the six (6)-month period ended 31 May 2004.

2.1 Introduction

The iron and steel industry have long made up the fundamental industries in developing a nation as well as to measure a nation's further progress in heavy industry. The iron and steel industry in Malaysia is an important sector, as it supplies basic inputs and raw materials to several major industries, such as construction, machinery and engineering, electrical appliances and transport equipment. Production has been traditionally dominated by long products, especially bars and wire-rods, to meet the country's construction and infrastructural needs. With the establishment of the medium/heavy section and HRC plant in Malaysia, local sourcing of such steel products is gaining momentum.

The OHB Group consists of two (2) main operating companies, namely Ornasteel and Group Steel.

Ornasteel is principally involved in the manufacturing and marketing of CR products, mainly CRCs, of various steel grades and thickness specifications. CRCs are mainly used in the manufacturing of storage drums, pipes and tubes, furniture, electronic and/or electrical home appliances, automobile parts and also used as raw materials in the production of GI and PPGI products.

Group Steel, on the other hand, is involved in the manufacturing and marketing of GI and PPGI products. These products are mainly used in the manufacturing of roofing sheets, steel truss, steel trunk and air ducts.

2.2 Factors Affecting the OHB Group's Financial Condition and Results of Operations

2.2.1 Competition

The Group faces competition from various competitors, which include manufacturers and traders.

For the CRC industry in Malaysia, the competitors of the Group are Mycron Steel Berhad, a manufacturer of CRCs and various traders which import CRCs into Malaysia. The Group may also face competition from Megasteel which is expected to start its own CRC production.

As for GI and PPGI products, the main competitors of the OHB Group are BlueScope Steel (Malaysia) Sdn Bhd and Yung Kong Galvanising Industries Berhad.

The CRC industry in Malaysia is highly competitive, particularly more so as it faces regional competition. With the initiation of the Common Effective Preferential Tariff scheme in 2003 (2006 for Vietnam and 2008 for Laos and Myanmar) under the implementation of the ASEAN Free Trade Area, tariff on goods traded within the region, which meet a 40% ASEAN content requirement, will be reduced to 0% - 5%. This would result in a liberalised market and intensify competition among steel producers in the region.

In order to remain ahead of its competitors, OHB strives to continually improve the quality of its products as well as to increase its focus on pricing its products competitively. The Group is also looking at improving its after-sales service to its customers.

2.2.2 Tariffs and approved permits

The Government had, in recent years, increased the rates of import duties for iron and steel items, with the requirement of approved permits for import. This generally affected the import of HRC, CRC, electro-galvanised and galvanised iron, and steel pipes. The new duty was imposed to help curb the influx of cheap steel imports as a measure of safeguard for the local industries.

However, import duty exemption is granted where the materials or products are not produced in Malaysia, local production is insufficient to meet market demand and local producers are not able to produce specific requirements. Import duty exemption is also granted to certain industry sectors, including automotive and components, electrical and electronics, steel furniture, companies in the free trade zones and licensed manufacturing warehouses.

Presently, the raw materials imported by the OHB Group are exempt from import duties/tariffs under approved permits from the MITI. However, in 2001, the Group did experience a shortage in supply of raw materials due to a delay in obtaining import permits coupled with an irregular supply of raw materials from a local supplier.

2.2.3 Steel as a commodity

The selling price of steel products are generally guided by the demand and supply condition of the steel market and the price of its raw materials. As such, the selling price and gross profit margin of the Group's products tend to fluctuate with market conditions.

2.2.4 Supply of raw materials

The main raw materials used by the Group are HRCs, 1B coils, zinc, paints and various chemical substances. It is crucial that the Group obtains regular/continued supply of its raw materials of consistent quality, so as to prevent any disruption to the manufacturing operations, and to produce high quality CR, GI and PPGI products.

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XI. FINANCIAL INFORMATION *(CONT'D)*

2.3 Components of the Proforma Consolidated Income Statements

	<---- Financial years ended 30 November								---->		Six (6)-month period ended 31 May	
	1999		2000		2001		2002		2003		2004	
	RM 000	%	RM 000	%	RM 000	%	RM 000	%	RM 000	%	RM 000	%
Operating Revenue												
CR products	150,674	24.85	207,789	26.10	182,667	32.82	249,806	37.82	372,332	43.13	245,211	47.37
GI products	274,841	45.34	267,855	33.65	212,445	38.17	179,623	27.19	225,066	26.07	157,531	30.43
PPGI products	71,505	11.80	220,470	27.69	126,330	22.69	208,651	31.59	264,933	30.69	113,606	21.94
Others	109,201	18.01	100,022	12.56	35,204	6.32	22,488	3.40	916	0.11	1,335	0.26
	606,221	100.00	796,136	100.00	556,646	100.00	660,568	100.00	863,247	100.00	517,683	100.00
Cost of Sales	526,175		733,287		509,727		551,072		727,112		431,116	
Gross Profit	80,046		62,849		46,919		109,496		136,135		86,567	
Other Income	1,745		1,720		2,084		4,083		9,484		2,821	
Operating Expenses												
Sales & marketing	33,936		29,582		21,843		19,003		20,643		10,322	
General & administrative	5,276		6,532		7,864		6,233		7,902		3,473	
Finance costs	39,656		32,140		21,226		14,474		9,972		3,469	
Other operating expenses	18,471		9,694		1,929		19,997		13,827		664	
	97,339		77,948		52,862		59,707		52,344		17,928	
(Loss)/PBT	(15,548)		(13,379)		(3,859)		53,872		93,275		71,460	
Taxation	(537)		(152)		(4,263)		(8,495)		(26,366)		(20,034)	
(Loss)/PAT	(16,085)		(13,531)		(8,122)		45,377		66,909		51,426	

XI. FINANCIAL INFORMATION *(CONT'D)*

The following table sets out the major contributors to the Group's revenue by market for the years/period under review:

	<---------- Financial years ended 30 November									---------->	Six (6)-month period ended 31 May	
	1999		2000		2001		2002		2003		2004	
	RM 000	%	RM 000	%	RM 000	%	RM 000	%	RM 000	%	RM 000	%
By market												
Local	204,797	33.78	233,059	29.27	294,501	52.91	454,028	68.73	549,215	63.62	420,610	81.25
Export	401,424	66.22	563,077	70.73	262,145	47.09	206,540	31.27	314,032	36.38	97,073	18.75
	606,221	100.00	796,136	100.00	556,646	100.00	660,568	100.00	863,247	100.00	517,683	100.00

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The OHB Group's operating expenses comprise primarily of four (4) main categories, namely sales and marketing expenses, general and administrative expenses, finance costs and other operating expenses. Sales and marketing expenses consist mainly of transportation charges, ocean freight charges, port and storage charges, sales commission, advertising expenses and other expenses relating to the distribution of goods. General and administrative expenses comprise primarily of staff cost, travelling expenses, rates and assessments and other administrative expenses. Finance costs represent interest charged on the Group's external borrowings which include interest charged on loans, bank guarantee fees and documentary credit issuance charges. Other operating expenses include losses arising from foreign exchange as well as arising from disposal of investments, allowance for bad and doubtful debts and impairment losses.

2.4 Recent Developments – Six (6)-month period ended 31 May 2004

2.4.1 Revenue

The OHB Group's revenue for the six (6)-month period ended 31 May 2004 totalled RM517.7 million. Revenue arising from CR products accounted for RM245.2 million or 47.4% of total revenue; and revenue from GI and PPGI products accounted for RM271.1 million or 52.4% of total revenue. The quantity of CR, GI and PPGI products sold for the first half of the financial year totalled approximately 138,000, 75,000 and 38,000 MT respectively. The Group's performance, in terms of revenue generated, for the first half of the year is relatively good, primarily due to the overall increase in global demand for steel products which resulted in an increase in selling price.

2.4.2 Other Income

Other income of RM2.8 million for the six (6)-month period ended 31 May 2004 consisted primarily of foreign exchange gain of RM2.2 million, sundry income of RM0.3 million arising from late payment interest charges imposed on customers with long overdue amounts and insurance claims on finished goods stolen in transit, and interest income of RM0.3 million earned from the placement of funds in fixed deposits.

2.4.3 Cost of Sales, Gross Profit Margin and Operating Expenses

The OHB Group recorded cost of sales totalling RM431.1 million, comprising largely of raw materials purchases. Gross profit margin stood at 16.7%. Operating expenses for the period amounted to RM17.9 million.

The main component of operating expenses incurred during the period was freight and transportation charges of RM9.7 million. This is mainly due to a relatively high sales volume of GI products to China. Staff costs amounting to RM2.1 million also contributed substantially to the operating expenses of the Group, which consist of salaries, staff welfare, overtime payments and incentive payments of non-production staff.

The Group also incurred finance costs amounting to RM3.5 million during the period, mainly due to the utilisation of bankers' acceptances to finance the Group's purchases of raw materials, payment of interest on the bonds issued by Group Steel as well as payment of interest in respect of overdraft facilities and term loans utilised.

2.4.4 EBITDA and EBITDA Margin

EBITDA for the six (6)-month period ended 31 May 2004 amounted to RM91.0 million and the EBITDA margin was 17.6%.

2.4.5 Net Profit

As a result of the foregoing factors, PBT for the period amounted to RM71.5 million.

Taxation estimated and provided for the period amounted to RM20.0 million. The effective tax rate for the six (6)-month period ended 31 May 2004 is slightly higher than the statutory income tax rate of 28% due to certain expenses which were not deductible for tax purposes.

After accounting for the above, PAT for the period amounted to RM51.4 million.

2.5 FY 2003 compared to FY 2002

2.5.1 Revenue

The OHB Group's revenue increased by 30.7% or RM202.6 million from RM660.6 million in FY2002 to RM863.2 million in FY2003. This is mainly due to the increase in selling prices of the Group's CR products, which is attributable to higher demand for steel products, from both the domestic and the export market, particularly China. The increase is also a result of the increase in sales volume of the Group's GI and PPGI products due to higher demand from China during FY2003.

The Group's revenue generated from CR products increased by 49.0%, from RM249.8 million in FY2002 to RM372.3 million in FY2003. The production and sale of CR products accounted for 43.1% of the total revenue earned in FY2003, followed by the sale of PPGI products (30.7%) and GI products (26.1%).

The increase in demand of CR products was driven primarily by the overall increase in demand for its end products which are mainly industrial products.

2.5.2 Other Income

The Group recorded other income of RM9.5 million in FY2003, which consisted mainly of foreign exchange gain and gain arising from a claim made against a supplier of plant and machinery amounting to RM2.0 million which was settled during the financial year.

2.5.3 Cost of Sales, Gross Profit Margin and Operating Expenses

The Group's cost of sales totalled RM727.1 million. Gross profit margin decreased from 16.6% in FY2002 to 15.8% in FY2003 as a result of an increase in the cost of raw materials, particularly the cost of HRCs. Operating expenses of the Group decreased by RM7.4 million or 12.4% from RM59.7 million in FY2002 to RM52.3 million in FY2003.

The decrease in operating expenses was mainly due to a reduction in finance costs as a result of a stronger financial position of the Group. Further, the improvement in operating expenses is also due to lower impairment losses on property, plant and equipment recognised for the year, as compared to the previous financial year.

Sales and marketing expenses increased by 8.4% from RM19.0 million in FY2002 to RM20.6 million in FY2003 primarily due to the general increase in sales for both the export as well as the domestic market.

General and administrative expenses increased by 27.4%, from RM6.2 million in FY2002 to RM7.9 million in FY2003. The increase was mainly due to an increase in staff cost as a result of higher staff incentives paid out, which is consistent with the better performance achieved by the Group.

The Group's finance costs decreased by RM4.5 million or 31.0% from RM14.5 million in FY2002 to RM10.0 million in FY2003. The decrease in finance cost was due to a lower utilisation of bank borrowings/facilities for the Group's operations, as the financial position of the Group continued to strengthen.

2.5.4 EBITDA and EBITDA Margin

EBITDA improved by RM32.1 million or 31.1% from RM103.1 million in FY2002 to RM135.2 million in FY2003. EBITDA margin increased from 15.6% in FY2002 to 15.7% in FY2003. The significant improvement in EBITDA is a result of the substantial increase in revenue. However, EBITDA margin only improved marginally despite the 30.7% increase in revenue during the financial year due to escalating cost of raw materials, as explained above.

2.5.5 Net Profit

As a result of the foregoing factors, profit before taxation increased by RM39.4 million or 73.1% from RM53.9 million in FY2002 to RM93.3 million in FY2003.

The effective tax rate for FY2003 is marginally higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes e.g. impairment loss on property, plant and equipment and general provision for doubtful debts.

Net profit for the year was booked at RM66.9 million, representing an increase of RM21.5 million or 47.4% from RM45.4 million in FY2002.

2.6 FY2002 compared to FY2001

2.6.1 Revenue

The Group's revenue increased by 18.7% or RM104.0 million from RM556.6 million in FY2001 to RM660.6 million in FY2002.

The increase in revenue was contributed mainly by the increase in revenue generated from the sale of CR products of 36.7% or RM67.1 million from RM182.7 million in FY2001 to RM249.8 million in FY2002.

This was mainly due to the higher selling price of CR products. During the year, the Government imposed higher import duties on steel imports to protect the local steel industry. In addition, approved permits from the regulatory authorities were required in order to import steel products. At the same time, global demand for steel products also increased in general, thus causing a shortage in supply of steel products. These factors caused the price of CR products to increase.

In addition to that, there was also an increase in the sales of PPGI products. The average selling price of both GI and PPGI products was higher than FY2001 due to higher domestic demand. The increase in domestic demand was a result of the higher tariffs and import restrictions imposed by the Government on such type of steel products.

2.6.2 Other Income

In addition to the above revenue stream, the Group recorded other income totalling RM4.1 million in FY2002 which consists mainly of foreign exchange gain arising from the difference between the transaction rates and the settlement rates on the imports of raw materials.

2.6.3 Cost of Sales, Gross Profit Margin and Operating Expenses

The OHB Group's cost of sales increased by 8.1% during the year whereas operating expenses increased by RM6.8 million or 12.9% from RM52.9 million in FY2001 to RM59.7 million in FY2002.

The increase in cost of sales is attributable to the increase in revenue. Gross profit margin increased from 8.4% in FY2001 to 16.6% in FY2002. The improvement was mainly attributable to higher selling price of CR products, and increase in local sales of PPGI products, which generally yielded a higher gross profit margin compared to export sales.

Generally, operating costs increased due to the impairment loss of RM16.4 million recognised by Ornasteel in respect of its steel pipes mill which was discontinued in FY2001. The increase was mitigated by a decrease in sales and marketing expenses of Group Steel by RM4.0 million, as a result of lower export sales during the year, as well as a decrease in finance costs.

The Group's finance costs decreased by RM6.7 million from RM21.2 million in FY2001 to RM14.5 million in FY2002. The decrease was due to lower utilisation of bank borrowings during FY2002 as the Group's financial position strengthened.

2.6.4 EBITDA and EBITDA Margin

EBITDA improved by RM51.0 million or 97.9% from RM52.1 million in FY2001 to RM103.1 million in FY2002. EBITDA margin increased from 9.4% in FY2001 to 15.6% in FY2002. The improvement in EBITDA and EBITDA margin was mainly due to the increase in gross profit margin as discussed above.

2.6.5 Net Profit

As a result of the foregoing factors, profit before taxation increased by RM57.8 million from a loss before taxation of RM3.9 million in FY2001 to a PBT of RM53.9 million in FY2002.

The effective tax rate for FY2002 is lower than the statutory income tax rate mainly due to the utilisation of unabsorbed capital allowances to set-off against business income that would otherwise be taxable.

The Group recorded a net profit of RM45.4 million for FY2002.

2.7 FY2001 compared to FY2000

2.7.1 Revenue

Revenue for FY2001 decreased by 30.1% from RM796.1 million in FY2000 to RM556.6 million in FY2001. This was mainly due to the lower sales volume of CR products. Revenue from the sale of CR products decreased by 12.1%, mainly due to the shortage of raw materials experienced by Ornasteel during the year. This was attributable to the delay in the Government authorities in approving import permits to import HRCs and the irregular supply of HRCs from a local supplier.

Further, the steel pipes mill of Ornasteel was discontinued during the year, as part of its restructuring plan to concentrate on its core business of manufacturing CR products. Revenue from the sale of steel pipes decreased from RM37.0 million in FY2000 to RM5.6 million in FY2001. This contributed slightly to the overall decrease in revenue of the OHB Group for FY2001.

The decrease in revenue for the year is also due to the decrease in sales of both GI and PPGI products. Revenue from GI and PPGI products decreased by 20.7% and 42.7% respectively. The sharp decrease is mainly due to lower demand, particularly from overseas customers. Export sales of Group Steel fell from 82.5% of total sales in FY2000 to 71.1% in FY2001 primarily due to the low export price, which was lower than Group Steel's marginal cost of production.

2.7.2 Other Income

Other income increased from RM1.7 million in FY2000 to RM2.1 million in FY2001, comprising mainly of sundry income.

2.7.3 Cost of Sales, Gross Profit Margin and Operating Expenses

The OHB Group's cost of sales decreased substantially by 30.5%. This was due to the lower sales recorded by the Group in FY2001 as well as a decrease in the price of raw materials. The reduction in cost of sales was also due to the fact that there was a significant write off of inventories in FY2000 as a result of the due diligence exercise carried out by CSC prior to CSC's acquisition of Ornasteel in December 2000. Further, the discontinuance of the steel pipes mill of Ornasteel in FY2001 also contributed slightly to the decrease in cost of sales.

Gross profit margin increased from 7.9% in FY2000 to 8.4% in FY2001 due mainly to the inventories write off in FY2000.

Operating expenses of the Group decreased by RM25.0 million from RM77.9 million in FY2000 to RM52.9 million in FY2001. The decrease is mainly due to lower finance costs.

Finance costs decreased by RM10.9 million due to lower utilisation of bank borrowings during FY2001 as the financial position of Ornasteel improved with the injection of RM20.0 million in cash arising from the issuance of new ordinary shares in Ornasteel. In the same year, Group Steel issued bonds totalling RM100.0 million, as an alternative means of financing, which carries lower interest rates. As a result, Group Steel managed to reduce its finance costs by approximately RM4.4 million.

2.7.4 EBITDA and EBITDA Margin

EBITDA deteriorated marginally by RM1.3 million or 2.5%. However, EBITDA margin increased from 6.7% in FY2000 to 9.4% in FY2001. The decrease in EBITDA was attributable to the decrease in revenue as explained above. The improvement of the EBITDA margin was mainly due to the fact that the EBITDA margin for FY2000 was relatively low as a result of the write off of inventories explained earlier.

2.7.5 Net Profit

As a result of the foregoing factors, the Group recorded a loss before taxation of RM3.9 million in FY2001, mainly due to the higher unit cost of production (due to lower production volume).

The effective tax rate for FY2001 was significantly higher than the statutory income tax rate mainly due to the effect of a prior year adjustment arising from the adoption of MASB No. 25, Income Taxes, in FY2003.

After taking into account the above, the Group recorded a net loss of RM8.1 million for FY2001.

2.8 FY2000 compared to FY1999

2.8.1 Revenue

Revenue of the OHB Group increased by 31.3% or RM189.9 million from RM606.2 million in FY1999 to RM796.1 million in FY2000. This was mainly due to the increase in sales revenue for PPGI products as production of PPGI products increased from 29,880 MT in FY1999 to 88,446 MT in FY2000. The PPGI plant commenced commercial production in FY1999 and FY2000 represents a full year of production.

2.8.2 Other Income

The Group recorded other income of RM1.7 million comprising mainly of sundry income.

2.8.3 Cost of Sales, Gross Profit Margin and Operating Expenses

Cost of sales of the Group increased significantly by 39.4%, due to the write off of inventories amounting to RM22.6 million as a result of the due diligence exercise carried out by CSC prior to CSC's acquisition of Ornasteel in December 2000. Operating expenses, on the other hand, decreased by RM19.4 million, mainly due to lower sales and marketing expenses and lower finance costs incurred during the year.

Sales and marketing expenses decreased by RM4.4 million, mainly resulting from lower transportation and freight charges as more export sales were negotiated on free on board basis. An increase in intercompany sales from Ornasteel to Group Steel also reduced the transportation charges as both factories are located adjacent to each other.

The Group's finance costs decreased by RM7.5 million due to lower interest rates and repayments of long term loans.

2.8.4 EBITDA and EBITDA Margin

EBITDA decreased by RM2.8 million or 4.9% from RM56.2 million in FY1999 to RM53.4 million in FY2000. EBITDA margin decreased from 9.3% in FY1999 to 6.7% in FY2000. The decrease in EBITDA and EBITDA margin was primarily due to the increase in cost of sales as explained above.

2.8.5 Net Profit

The Group incurred a loss before taxation of RM13.4 million for FY2000, largely due to the decrease in EBITDA, as explained above.

The effective tax rate for FY2000 is significantly lower than the statutory income tax rate due mainly to the utilisation of capital allowances brought forward to set-off against business income that would otherwise be taxable. The tax charge for the year relates to tax payable on other income which was separately assessed.

As a result of the foregoing factors, the Group recorded a loss after taxation of RM13.5 million for the year.

3. WORKING CAPITAL, MATERIAL COMMITMENTS, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL LITIGATION AND AGEING ANALYSIS

3.1 Working Capital

The Directors of the Company are of the opinion that after taking into account the consolidated cashflow position, banking and financing facilities available and the total gross proceeds from the Disposal of 22.26% in Group Steel, the OHB Group will have adequate working capital for a period of 12 months from the date of this Prospectus.

3.2 Material Commitments

Save as disclosed below, as at 31 October 2004 (being the latest practicable date at which such amounts could be calculated prior to the issuance of this Prospectus), there are no material commitments for capital expenditure contracted or known to be contracted by OHB or its subsidiaries, which upon becoming enforceable, may have a material impact on the financial position of the Group:

	RM 000
Approved and contracted for	13,502
Approved but not contracted for	10,408
	23,910

The material commitments mainly relate to acquisition and upgrading of machinery.

3.3 Borrowings

The total outstanding borrowings of the Group, all of which are interest bearing, as at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, are as follows:

Outstanding borrowings	Payable within 12 months RM 000	Payable after 12 months RM 000
RM denominated borrowings		
Bank overdrafts, trust receipts and bankers' acceptances	81,800	-
Bonds	40,000	-
Total RM denominated borrowings	121,800	-

Outstanding borrowings	**Payable within 12 months RM 000**	**Payable after 12 months RM 000**
USD denominated borrowings *		
Onshore foreign currency loans	29,835	-
Term loans	23,180	34,425
Total USD denominated borrowings	53,015	34,425
Total borrowings	174,815	34,425

* *Translated at the exchange rate of approximately RM3.825:USD1.00. The USD denominated borrowings which is payable within 12 months amount to USD13.86 million whilst those payable after 12 months amount to USD9.00 million.*

Save as disclosed above, the Group does not have any other capital outstanding or loan capital created but unissued or mortgages or charges outstanding on that date.

The Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 30 November 2003 and the subsequent six (6)-month financial period ended 31 May 2004.

3.4 Contingent Liabilities

As at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, the Directors of the Company are not aware of any contingent liabilities which upon becoming enforceable, may have a material impact on the financial position of the Group.

3.5 Material Litigation and Arbitration

As at 31 October 2004, being the latest practicable date prior to the issuance of this Prospectus, neither the Company nor its subsidiaries is engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries, and the Directors of the Company are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company or its subsidiaries.

3.6 Ageing Analysis

3.6.1 Trade Receivables

The table below sets out the ageing of the Group's trade receivables as at 31 May 2004:

	Within Credit Period	**Exceeding credit period (days)**				
		1 – 30	**31 – 60**	**61 – 90**	**> 90**	**Total**
Trade receivables (RM 000)	77,680	70,333	23,292	-	1,177	172,482
% of total trade receivables	45.0%	40.8%	13.5%	-	0.7%	100.0%

The Directors of the Company are of the opinion that the trade receivables shown above are fully recoverable and that sufficient allowances for doubtful debts have been provided.

3.6.2 Trade Payables

The table below sets out the ageing of the Group's trade payables as at 31 May 2004:

	Within Credit Period	Exceeding credit period (days)			
		1 – 30	31 – 60	> 60	Total
Trade payables (RM 000)	6,161	-	36	1,900	8,097
% of total trade payables	76.1%	-	0.4%	23.5%	100.0%

Trade payables comprise amounts outstanding for trade purchases. In addition to the above, the Group also purchases raw materials i.e. HR and 1B coils, from CSC who is a substantial shareholder of OHB. The transactions with CSC have been/are entered into at arm's length and on normal commercial terms.

4. DIVIDEND ESTIMATE AND FORECAST

No dividend will be paid in respect of the financial year ending 30 November 2004. The dividend forecast for the financial year ending 30 November 2005 is as follows:

Financial year ending 30 November	Forecast 2005
Gross dividend per OHB Share (sen)[1]	3.20
Net dividend per OHB Share (sen)[1]	2.30
Gross dividend yield (%)[2]	2.00
Net dividend yield (%)[2]	1.44
Net dividend cover (times)	10.18

Notes:

[1] *Computed based on the enlarged issued and paid-up share capital of 380,000,000 OHB Shares.*

[2] *Based on the Retail Price of RM1.60 per Offer Share.*

Although no dividend will be paid for the financial year ending 30 November 2004, the Board expects to declare and pay the above cash dividend for the financial year ending 30 November 2005. Thereafter, the Board expects to declare and pay annual dividends of not less than 50% of the annual profit after tax. However any declaration and payment of dividend as well as the timing and amount of any dividend will be at the discretion of the Board and based upon the earnings, sufficient cash flow, capital requirements of the Group, the availability of sufficient tax credits, the consent of the Group's bankers and financiers (where applicable), and any other conditions that the Board deems relevant.

5. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)

Deloitte

Deloitte & Touche (AF 0834)
Chartered Accountants
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75000 Melaka

Tel : +60(6) 2811077, 2811078
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www.deloitte.com.my

November 12, 2004

The Board of Directors
Ornasteel Holdings Berhad
106A Taman Melaka Raya
75000 Melaka

Dear Sirs,

ORNASTEEL HOLDINGS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 2004

We have reviewed the presentation of the proforma consolidated balance sheets of Ornasteel Holdings Berhad ("the Company" or "OHB") and its subsidiary companies ("OHB Group") as of May 31, 2004, together with the notes and assumptions thereto, for which the Directors of the Company are solely responsible, which have been prepared for inclusion in the Prospectus to be dated November 29, 2004, in connection with the Company's proposed listing on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities") involving the following:

(a) Disposal by Ornasteel Enterprise Corporation (M) Sdn. Bhd. ("Ornasteel") of 31,165,000 ordinary shares of RM1.00 each in Group Steel Corporation (M) Sdn. Bhd. ("Group Steel"), representing approximately 22.26% equity interest therein, to CSC (Ornasteel) Singapore Pte. Ltd. and China Development Industrial Bank Inc. for a cash disposal consideration of RM37,810,274.

(b) Acquisition by OHB of the following companies:

  (i) the entire issued and fully paid-up share capital of Ornasteel comprising 220,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM244,499,438 satisfied wholly by the issuance of 224,178,642 new ordinary shares of RM1.00 each in OHB ("OHB Shares"), at an issue price of approximately RM1.09 per OHB Share; and

  (ii) the entire issued and fully paid-up share capital of Group Steel comprising 140,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM169,945,868 satisfied wholly by the issuance of 155,821,356 new OHB Shares, at an issue price of approximately RM1.09 per OHB Share.

(c) Initial public offering of 195,121,800 OHB Shares comprising:

  (i) Offer for sale of 114,000,000 OHB Shares to Bumiputera investors approved by the Ministry of International Trade and Industry at the initial retail price of RM1.60 per OHB Share ("Retail Price");

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(ii) Offer for sale of 10,000,000 OHB Shares to the Malaysian public at the Retail Price;

(iii) Offer for sale of 7,300,000 OHB Shares to eligible directors, employees, suppliers and customers of the OHB Group at the Retail Price; and

(iv) Offer for sale of 63,821,800 OHB Shares to identified investors at the institutional price to be determined by way of bookbuilding.

(d) Listing of and quotation for the entire enlarged issued and paid-up share capital of OHB comprising 380,000,000 ordinary shares of RM1.00 each on the Main Board of Bursa Securities.

In our opinion:

(a) the proforma consolidated balance sheets of OHB as of May 31, 2004, which have been prepared for illustrative purposes only, have been properly compiled on the bases of preparation stated;

(b) such bases are consistent with the accounting policies of the OHB Group; and

(c) the adjustments as explained in Notes 2 and 3 to the proforma consolidated balance sheets are appropriate for the purposes of the proforma consolidated balance sheets.

Yours very truly,

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

HIEW KIM TIAM
1717/08/05 (J)
Partner

彦 鋼 控 股 公 司
ORNASTEEL HOLDINGS BERHAD (640357-X)
180, Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia.
Tel: 06-2319990 (Hunting) Fax: 06-2315310

PROFORMA CONSOLIDATED BALANCE SHEETS OF ORNASTEEL HOLDINGS BERHAD AS OF MAY 31, 2004

		Proforma I	Proforma II	Proforma III
	Per audited financial statements as of May 31, 2004 RM	After acquisition of Ornasteel RM	After Proforma I and acquisition of Group Steel RM	After Proforma II and initial public offering RM
Property, plant and equipment	-	185,028,537	377,215,407	377,215,407
Current Assets				
Inventories	-	83,459,981	141,760,477	141,760,477
Trade receivables	-	100,986,008	166,087,608	166,087,608
Other receivables, deposits and prepaid expenses	844,063	8,248,187	10,062,834	9,218,771
Fixed deposits, cash and bank balances	2	43,123,701	75,091,357	74,435,420
	844,065	235,817,877	393,002,276	391,502,276
Current Liabilities				
Trade payables	-	7,291,473	8,097,021	8,097,021
Other payables and accrued expenses	5,277	14,835,412	23,796,204	23,796,204
Amount owing to subsidiary company	852,166	-	-	-
Amount owing to ultimate holding company	-	7,610,208	10,498,311	10,498,311
Short-term borrowings	-	85,617,500	94,732,376	94,732,376
Bonds - current portion	-	-	30,000,000	30,000,000
Long-term loans - current portion	-	-	3,251,250	3,251,250
	857,393	115,354,593	170,375,162	170,375,162
Net Current Assets/(Liabilities)	(13,328)	120,463,284	222,627,114	221,127,114
Long-Term and Deferred Liabilities				
Bonds - non-current portion	-	-	40,000,000	40,000,000
Long-term loans - non-current portion	-	-	36,758,250	36,758,250
Deferred tax liabilities	-	30,858,000	58,694,862	58,694,862
Net Assets/(Liabilities)	(13,328)	274,633,821	464,389,409	462,889,409
Represented by:				
Issued capital	2	224,178,644	380,000,000	380,000,000
Share premium	-	20,320,796	34,445,308	32,945,308
Reserve on consolidation	-	30,147,711	49,957,431	49,957,431
Accumulated loss	(13,330)	(13,330)	(13,330)	(13,330)
Shareholders' Equity	(13,328)	274,633,821	464,389,409	462,889,409
Net Tangible Assets/ (Liabilities)	(13,328)	274,633,821	464,389,409	462,889,409
Net Tangible Assets Per Share	*	1.23	1.22	1.22

* Not meaningful comparison.

Stamped for the purpose of identification only with our letter/report dated
12 NOV 2004
Deloitte & Touche
Kuala Lumpur/Petaling Jaya

彥 鋼 控 股 公 司
ORNASTEEL HOLDINGS BERHAD (640357-X)
180, Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia.
Tel: 06-2319990 (Hunting) Fax: 06-2315310

ORNASTEEL HOLDINGS BERHAD
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 2004

1. **BASIS OF PREPARATION**

The proforma consolidated balance sheets have been prepared based on the audited financial statements of OHB, Ornasteel Enterprise Corporation (M) Sdn. Bhd. ("Ornasteel") and Group Steel Corporation (M) Sdn. Bhd. ("Group Steel") as of May 31, 2004 to show the effects as set out in Note 2, on the assumption that these transactions have been completed on May 31, 2004. The proforma consolidated balance sheets have been prepared for illustrative purposes based on accounting principles and bases consistent with those normally adopted by OHB and its subsidiary companies in the preparation of their respective audited financial statements.

2. **PROFORMA CONSOLIDATED BALANCE SHEETS**

The proforma consolidated balance sheets have been prepared by aggregating all the financial information in the abovementioned financial statements after providing for such adjustments necessary to incorporate the following:

Proforma I

Proforma I incorporates the effects of the acquisition by OHB of the entire equity interest in Ornasteel comprising 220,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM244,499,438 satisfied wholly by the issuance of 224,178,642 new ordinary shares of RM1.00 each in OHB ("OHB Shares") at an issue price of approximately RM1.09 per OHB Share. The acquisition of Ornasteel has been consolidated using the acquisition method based on the audited consolidated financial statements of Ornasteel as of May 31, 2004, and adjusted to incorporate the disposal by Ornasteel of 31,165,000 ordinary shares of RM1.00 each in Group Steel representing approximately 22.26% equity interest therein for a cash consideration of RM37,810,274.

Proforma II

Proforma II incorporates the effects of Proforma I and the acquisition by OHB of the entire equity interest in Group Steel comprising 140,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM169,945,868 satisfied wholly by the issuance of 155,821,356 new OHB Shares at an issue price of approximately RM1.09 per OHB Share. The acquisition of Group Steel has been consolidated using the acquisition method based on the audited financial statements of Group Steel as of May 31, 2004.

Proforma III

Proforma III incorporates the effects of Proforma II and the write off of the estimated listing expenses of RM1,500,000 against the share premium account, of which RM844,063 has been paid and included in other receivables, deposits and prepaid expenses as of May 31, 2004.

Stamped for the purpose of identification only with our letter/report dated

12 NOV 2004

Deloitte & Touche
Kuala Lumpur/Petaling Jaya

3. ISSUED CAPITAL AND RESERVES

The movements in the issued and paid-up share capital and reserves of OHB are as follows:

	Issued Capital RM	Share Premium RM	Reserve on Consolidation RM	Accumulated Loss RM	Total RM
Per audited financial statements as of May 31, 2004	2	-	-	(13,330)	(13,328)
Proposed acquisition of Ornasteel	224,178,642	20,320,796	30,147,711	-	274,647,149
Proforma I	224,178,644	20,320,796	30,147,711	(13,330)	274,633,821
Proposed acquisition of Group Steel	155,821,356	14,124,512	19,823,050	-	189,755,588
Proforma II	380,000,000	34,445,308	49,957,431	(13,330)	464,389,409
Estimated listing expenses	-	(1,500,000)	-	-	(1,500,000)
Proforma III	380,000,000	32,945,308	49,957,431	(13,330)	462,889,409

Signed on behalf of the Board of Directors,

HUANG, TSONG-YING

CHANG, SHU-AUN

November 12, 2004

12 NOV 2004

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Kuala Lumpur/Petaling Jaya

6. CONSOLIDATED PROFIT ESTIMATE AND FORECAST

6.1 Consolidated Profit Estimate and Forecast Together with the Assumptions Thereon

On the bases and assumptions set out in Section 7 of this Part of this Prospectus, the Board of Directors of OHB estimates and forecasts that the consolidated PAT of the Group for the financial years ending 30 November 2004 and 2005 are as follows:

Financial year ending 30 November	**Estimate 2004 RM 000**	**Forecast 2005 RM 000**
Revenue	1,120,080	1,265,090
Consolidated profit before accretion of reserve on consolidation and taxation	120,945	87,725
Add: Accretion of reserve on consolidation	2,850	17,098
Consolidated PBT	123,795	104,823
Income tax expense	(30,965)	(15,737)
Consolidated PAT	92,830	89,086
Less: Pre-acquisition profit	(85,488)	-
Consolidated profit attributable to shareholders	7,342	89,086
Based on consolidated PAT		
No. of OHB Shares in issue (000)	380,000	380,000
Net EPS (sen)	24.43	23.44
Net PE multiple* (times)	6.55	6.83
Based on consolidated profit attributable to shareholders		
Weighted average no. of OHB Shares in issue (000)	59,180	380,000
Net EPS (sen)	12.41	23.44
Net PE multiple* (times)	12.89	6.83

Note:

* *Computed based on the Retail Price of RM1.60 per Offer Share.*

6.2 Directors' Analysis and Commentary on the Consolidated Profit Estimate and Forecast

The Directors of OHB have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit estimate and forecast for the financial years ending 30 November 2004 and 30 November 2005 respectively of the OHB Group and are of the opinion that the consolidated profit estimate and forecast are fair and reasonable in light of the future plans and prospects of the OHB Group as set out in Section 3 of Part VII of this Prospectus and the prospects of the Group as set out in Section 2 of Part VII of this Prospectus, and after taking into consideration the estimated and forecast gearing levels, liquidity and working capital requirements of the OHB Group.

6.2.1 Financial Year Ending 30 November 2004

Revenue

The consolidated revenue of the OHB Group for the financial year ending 30 November 2004 is estimated to increase by approximately 29.75% or an increase of RM256.83 million to RM1,120.08 million as compared to the proforma consolidated revenue of RM863.25 million for the financial year ended 30 November 2003. The increase is mainly due to the estimated increase in selling prices and volume of sales of the Group's products. The increase in selling prices is in line with the uptrend in prices of steel products whilst the increase in sales volume is due to higher demand for the Group's products, particularly CRCs and GI coils.

PBT

The consolidated PBT for the financial year ending 30 November 2004 is estimated at RM123.80 million which is approximately 32.72% or RM30.52 million higher than the proforma consolidated PBT of RM93.28 million for the financial year ended 30 November 2003. The increase is mainly due to the higher estimated revenue as mentioned above, higher other income arising from foreign exchange gain, lower freight and transport charges due to lower export sales and the accretion of reserve on consolidation. The accretion of reserve on consolidation amounting to RM2.85 million arises due to the 'amortisation' of the reserve on consolidation arising from the Acquisitions which will be accreted over 60 months.

PAT

The consolidated PAT for the financial year ending 30 November 2004 is estimated at RM92.83 million which is approximately 38.74% or RM25.92 million higher than the proforma consolidated PAT of RM66.91 million for the financial year ended 30 November 2003. The higher PAT is mainly due to the increase in the consolidated PBT, as explained above and a lower effective tax rate due to the utilisation of investment tax allowances and the tax effect of double deduction on import insurance. The adjustment for pre-acquisition profit relates to PAT of Ornasteel, Group Steel and Ornaconstruction for the period from 1 December 2003 up to 5 October 2004 (being the date of completion of the Acquisition).

6.2.2 Financial Year Ending 30 November 2005

Revenue

The Group forecasts an increase in revenue for the financial year ending 30 November 2005 of approximately 12.95% or an increase of RM145.01 million to RM1,265.09 million as compared to the estimated consolidated revenue of RM1,120.08 million for the financial year ending 30 November 2004. This is in line with the forecast increase in selling prices of the Group's products as the Directors of OHB forecast that the uptrend in prices of steel products will continue during the financial year ending 30 November 2005.

PBT

The consolidated PBT for the financial year ending 30 November 2005 is forecast to be RM104.82 million which is approximately 15.33% or RM18.98 million lower than the estimated consolidated PBT of RM123.80 million for the financial year ending 30 November 2004. The decrease is mainly due to the reduction in gross margin as a result of the forecast increase in the cost of raw materials.

The effect of the lower gross margin is partially offset by the accretion of reserve on consolidation amounting to RM17.10 million. The accretion is higher compared to the financial year ending 30 November 2004 as the accretion in 2004 is only for approximately two (2) months commencing from the completion of the Acquisitions on 5 October 2004.

PAT

The Group's forecast PAT for the financial year ending 30 November 2005 amount to RM89.09 million which is approximately 4.03% or RM3.74 million lower than the estimated consolidated PAT of RM92.83 million for the financial year ending 30 November 2004. The lower consolidated PAT is mainly due to the decrease in the consolidated PBT, as explained above. The forecast effective rate for the financial year ending 30 November 2005 is lower compared to the financial year ending 30 November 2004 due to the forecast utilisation of investment tax and reinvestment allowances carried forward which had not been utilised as at 31 May 2004.

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7. REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST

(Prepared for inclusion in this Prospectus)

Deloitte

Deloitte & Touche (AF 0834)
Chartered Accountants
106, Taman Melaka Raya
75000 Melaka

Tel : +60(6) 2811077, 2811078
Fax: +60(6) 2831157
mymelaka@deloitte.com
www.deloitte.com.my

November 12, 2004

The Board of Directors
Ornasteel Holdings Berhad
106A Taman Melaka Raya
75000 Melaka

Dear Sirs,

ORNASTEEL HOLDINGS BERHAD
CONSOLIDATED PROFIT ESTIMATE AND FORECAST
FOR THE FINANCIAL YEARS ENDING NOVEMBER 30, 2004
AND NOVEMBER 30, 2005 RESPECTIVELY

We have reviewed the consolidated profit estimate and forecast of Ornasteel Holdings Berhad ("the Company" or "OHB") and its subsidiary companies, Ornasteel Enterprise Corporation (M) Sdn. Bhd., Group Steel Corporation (M) Sdn. Bhd. and Ornaconstruction Corporation Sdn. Bhd. (collectively known as the "OHB Group") for the financial years ending November 30, 2004 and November 30, 2005 respectively, as set out in the accompanying statement (stamped by us for identification purpose only) in accordance with the Malaysian Approved Standard on Auditing, AI810 applicable to the review of estimates and forecasts. The estimate and forecast have been prepared for inclusion in the Prospectus to be dated November 29, 2004 in connection with the Company's listing exercise and should not be relied on for any other purpose.

Our review has been undertaken to enable us to report as to whether the consolidated profit estimate and forecast, in all material respects, have been properly prepared on the bases and assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by OHB Group in the audited financial statements of the companies in OHB Group for the period ended May 31, 2004. The Directors of OHB are solely responsible for the preparation and presentation of the consolidated profit estimate and forecast and the assumptions on which the consolidated profit estimate and forecast are based.

Estimate and forecast, in this context, mean prospective financial information prepared on the bases and assumptions as to future events that Management expects to take place and the actions that 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.

Subject to the matters stated in the preceding paragraphs:

(a) nothing has come to our attention which causes us to believe that the bases and assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit estimate and forecast; and

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(b) in our opinion, the consolidated profit estimate and forecast, insofar as the calculations are concerned, have been properly prepared on the bases and assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by OHB Group in the audited financial statements of the companies in OHB Group for the period ended May 31, 2004.

Yours very truly,

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

HIEW KIM TIAM
1717/08/05 (J)
Partner

彦 鋼 控 股 公 司
ORNASTEEL HOLDINGS BERHAD (640357-X)
180, Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia.
Tel: 06-2319990 (Hunting) Fax: 06-2315310

ORNASTEEL HOLDINGS BERHAD ("OHB")
CONSOLIDATED PROFIT ESTIMATE AND FORECAST
FOR THE FINANCIAL YEARS ENDING NOVEMBER 30, 2004
AND NOVEMBER 30, 2005 RESPECTIVELY

On the bases and assumptions set out below, the Board of Directors of OHB estimates and forecasts that the consolidated profit of OHB and its subsidiary companies ("OHB Group") for the financial years ending November 30, 2004 and November 30, 2005 respectively are as follows:

Financial Year Ending November 30	Estimate 2004 RM'000	Forecast 2005 RM'000
Revenue	1,120,080	1,265,090
Consolidated profit before accretion of reserve on consolidation and taxation	120,945	87,725
Add: Accretion of reserve on consolidation	2,850	17,098
Consolidated profit before tax ("PBT")	123,795	104,823
Less: Income tax expense	(30,965)	(15,737)
Consolidated profit after tax ("PAT")	92,830	89,086
Less: Pre-acquisition profit	(85,488)	-
PAT and after pre-acquisition profit	7,342	89,086

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

1. The listing exercise detailed below will be completed before December 31, 2004:

   (a) Disposal by Ornasteel Enterprise Corporation (M) Sdn. Bhd. ("Ornasteel") of 31,165,000 ordinary shares of RM1.00 each in Group Steel Corporation (M) Sdn. Bhd. ("Group Steel"), representing approximately 22.26% equity interest therein, to CSC (Ornasteel) Singapore Pte. Ltd. and China Development Industrial Bank Inc. for a cash disposal consideration of RM37,810,274. The disposal was completed on October 5, 2004.

   (b) Acquisition by OHB of the following companies:

      (i) the entire issued and fully paid-up share capital of Ornasteel comprising 220,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM244,499,438 satisfied wholly by the issuance of 224,178,642 new ordinary shares of RM1.00 each in OHB ("OHB Shares"), at an issue price of approximately RM1.09 per OHB Share; and

      (ii) the entire issued and fully paid-up share capital of Group Steel comprising 140,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM169,945,868 satisfied wholly by the issuance of 155,821,356 new OHB Shares, at an issue price of approximately RM1.09 per OHB Share.

The acquisitions in item 1(b)(i) and (ii) above were completed on October 5, 2004.

(c) Initial public offering of 195,121,800 OHB Shares comprising:

(i) Offer for sale of 114,000,000 OHB Shares to Bumiputera investors approved by the Ministry of International Trade and Industry at the initial retail price of RM1.60 per OHB Share ("Retail Price");

(ii) Offer for sale of 10,000,000 OHB Shares to the Malaysian public at the Retail Price;

(iii) Offer for sale of 7,300,000 OHB Shares to eligible directors, employees, suppliers and customers of the OHB Group at the Retail Price; and

(iv) Offer for sale of 63,821,800 OHB Shares to identified investors at the institutional price to be determined by way of bookbuilding.

(d) Listing of and quotation for the entire enlarged issued and paid-up share capital of OHB comprising 380,000,000 ordinary shares of RM1.00 each on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

2. There will be no significant changes in the prevailing economic and political conditions in Malaysia and elsewhere that will, either directly or indirectly, affect the activities or performance of OHB Group and the business of OHB Group's major customers and suppliers.

3. The prevailing market conditions for OHB Group's products will not change materially and the average selling prices of OHB Group's products will not fluctuate significantly from the estimated and forecasted level.

4. Inflation rates, interest rates and exchange rates will not change or fluctuate significantly from their present levels.

5. Apart from inflationary increases, there will be no material increase in wages, cost of raw materials and other incidental costs other than as estimated and forecasted.

6. Existing credit facilities will remain available to OHB Group at prevailing interest rates. The credit facilities with banks are subject to renewal and it is assumed that there will be no change to existing terms and conditions.

7. There will be no disruption to the renewability of OHB Group's import permits or any material changes to the present legislation and government regulations, including taxation and guidelines of regulatory authorities, which will adversely affect OHB Group's activities or the markets in which OHB Group operates.

8. OHB Group will not engage in any material litigation and there will be no legal proceedings against OHB Group that will adversely affect the activities or performance of OHB Group or give rise to any contingent liability that will materially affect the financial position or business of OHB Group.

9. There will be no significant changes in the principal activities and management structure adopted by OHB Group.

10. There will be no major changes in the existing key personnel and management of OHB Group which will affect the marketing capability and level of activities of OHB Group.

11. There will be no material changes in the management, accounting and operating policies currently adopted by OHB Group.

Stamped for the purpose of identification only with our letter/report dated

12 NOV 2004

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Kuala Lumpur/Petaling Jaya

XI. FINANCIAL INFORMATION *(CONT'D)*

12. There will be no major breakdown or disruption in the manufacturing facilities, supply of materials, major industrial disputes or any other abnormal factor or cause (including but not limited to power supply interruptions), that will adversely affect the operations of OHB Group.

13. There will be no material acquisitions or disposals of property, plant and equipment other than those estimated and forecasted. The estimated and forecasted capital expenditure will be implemented, incurred and paid as anticipated with no material changes in cost or price.

14. There will be no material write-offs or impairment of property, plant and equipment in the financial years ending November 30, 2004 and November 30, 2005.

15. OHB Group will maintain the level of local and export sales and the profit margins on its products at the estimated and forecasted level.

16. There will be no exceptional occurrences of bad debts in excess of the level provided for in the profit estimate and forecast.

17. The existing terms and conditions for contracts and agreements entered into by OHB Group will remain in force.

18. The estimated listing expenses of RM1,500,000 will be written off against the share premium account.

19. The reserve on consolidation arising from the acquisition of Ornasteel and Group Steel estimated at RM85,488,026 will be accreted over 60 months.

Signed on behalf of the Board of Directors,

HUANG, TSONG-YING

CHANG, SHU-AUN

November 12, 2004

Stamped for the purpose of identification only with our letter/report dated

12 NOV 2004

Deloitte & Touche
Kuala Lumpur/Petaling Jaya