(Prepared for inclusion in this Prospectus)

Deloitte

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November 12, 2004

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

Dear Sirs,

ORNASTEEL HOLDINGS BERHAD
ACCOUNTANTS' REPORT

A. INTRODUCTION

This report has been prepared by Deloitte & Touche, an approved company auditor, for inclusion in the Prospectus of Ornasteel Holdings Berhad (the "Company" or "OHB") to be dated November 29, 2004 in connection with the listing of and quotation for the entire enlarged issued and fully 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) ("Bursa Securities").

B. GENERAL INFORMATION

1. Incorporation and Principal Activity

The Company was incorporated on January 20, 2004 in Malaysia under the Companies Act, 1965 as a public company limited by shares under the name of Ornasteel Holdings Berhad.

OHB is principally an investment holding company and has not undertaken any income producing activities as of the date of this report.

2. Listing Exercise

In conjunction with and as an integral part of the listing of and quotation for its entire enlarged issued and paid-up share capital on the Main Board of Bursa Securities, the Company undertook/will undertake 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. 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 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 approximately RM1.09 per OHB Share.

The acquisitions 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 to be approved by the Ministry of International Trade and Industry ("MITI") 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 OHB and its subsidiary companies ("OHB Group" or "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.

The listing exercise was approved by the Securities Commission ("SC") on August 25, 2004 and November 4, 2004, and SC (on behalf of the Foreign Investment Committee) on August 25, 2004 and the MITI on June 3, 2004.

3. **Share Capital**

The authorised share capital of OHB as at the date of incorporation was RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

As approved by the shareholders on September 30, 2004, the authorised share capital was increased from RM100,000 to RM1,000,000,000 on September 30, 2004 by the creation of an additional 999,900,000 ordinary shares of RM1.00 each.

As approved by the SC and the relevant authorities in connection with the listing exercise of OHB on the Main Board of Bursa Securities, the issued and paid-up share capital of OHB was increased from RM2 to RM380,000,000 by an allotment of 379,999,998 new ordinary shares of RM1.00 each in connection with the acquisition by OHB of the entire equity interest of Ornasteel and Group Steel. The new ordinary shares rank pari passu with the then existing OHB Shares.

The details of the changes in the issued and fully paid-up share capital of OHB since its incorporation are as follows:

Date of Allotment	Type of Issue	Par Value RM	Number of Ordinary Shares Issued	Cumulative Issued and Paid-up Share Capital RM
20.01.2004	Subscribers' shares	1.00	2	2
05.10.2004	Issued pursuant to the acquisition of Ornasteel	1.00	224,178,642	224,178,644
05.10.2004	Issued pursuant to the acquisition of Group Steel	1.00	155,821,356	380,000,000

4. **Subsidiary Companies**

The details of OHB's subsidiary companies, which are incorporated in Malaysia under the Companies Act, 1965, as at the date of this report are as follows:

Name of Company	Date of Incorporation	Effective Equity Interest	Principal Activity
Ornasteel	14.11.1991	100%	Manufacturing and marketing of cold rolled steel products
Group Steel	19.12.1994	100%	Manufacturing and marketing of hot dip galvanised steel products and prepainted galvanised steel products
Ornaconstruction Corporation Sdn. Bhd. ("Ornaconstruction")	05.08.1993	100%	Dormant company

At the date of this report, the authorised share capital of Ornasteel is RM220,000,000 comprising 220,000,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM220,000,000 comprising 220,000,000 ordinary shares of RM1.00 each.

The authorised share capital of Group Steel is RM150,000,000 comprising 150,000,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM140,000,000 comprising 140,000,000 ordinary shares of RM1.00 each.

The authorised share capital of Ornaconstruction is RM100,000 comprising 100,000 ordinary shares of RM1.00 each and the issued and paid-up share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

Ornaconstruction is a wholly-owned subsidiary company of Ornasteel.

C. AUDITORS' REPORTS

We were appointed to act as auditors of OHB since its date of incorporation. Its first set of audited financial statements were prepared from January 20, 2004 (date of incorporation) to May 31, 2004.

We have acted as auditors of Ornasteel, Group Steel and Ornaconstruction for the financial year ended November 30, 2003 and six-month period ended May 31, 2004. The financial statements of Ornasteel, Group Steel and Ornaconstruction prior to the financial year ended November 30, 2003 were audited by another firm of auditors.

The auditors' reports on the financial statements of Ornasteel, Group Steel and Ornaconstruction for the respective years/period under review were not subject to any qualification.

D. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of OHB and its subsidiary companies for the financial years/period under review have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board ("MASB") and using the same accounting principles and policies as were used in the preparation of the statutory financial statements of the companies in OHB Group.

There were no changes in accounting policies or accounting estimates by OHB and its subsidiary companies for the financial years/period under review except for the adoption of MASB Standard No. 25, Income Taxes in the financial year ended November 30, 2003. This change in accounting policy has been accounted for retrospectively and the effects on prior years have been adjusted to the respective years.

E. DIVIDENDS

No dividends have been paid or declared by OHB, Ornasteel and Group Steel since incorporation.

The total dividends paid by Ornaconstruction for the five financial years ended November 30, 2003 and the six-month period ended May 31, 2004 are as follows:

Year/Period Ended	Issued and Paid-up Share Capital RM'000	Dividend Rate (Gross) %	Dividend, less tax RM'000
November 30, 1999	100	-	-
November 30, 2000	100	-	-
November 30, 2001	100	5,700	4,104
November 30, 2002	100	200	144
November 30, 2003	100	-	-
May 31, 2004	100	-	-

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F. SUMMARISED INCOME STATEMENTS

1. Summarised Proforma Consolidated Income Statements

The summarised proforma consolidated income statements of OHB Group for the past five financial years ended November 30, 2003 and the six-month period ended May 31, 2004 are as follows:

RM'000	Financial Year Ended November 30, 1999	2000	2001	2002	2003	Period Ended May 31, 2004
Revenue	606,221	796,136	556,646	660,568	863,247	517,683
Profit before depreciation, finance costs and income tax	56,181	53,421	52,084	103,094	135,231	90,952
Depreciation of property, plant and equipment	(32,073)	(34,660)	(34,717)	(34,748)	(31,984)	(16,023)
Finance costs	(39,656)	(32,140)	(21,226)	(14,474)	(9,972)	(3,469)
Profit /(Loss) before tax	(15,548)	(13,379)	(3,859)	53,872	93,275	71,460
Income tax expense	(537)	(152)	(4,263)	(8,495)	(26,366)	(20,034)
Net profit/(loss) for the year/period	(16,085)	(13,531)	(8,122)	45,377	66,909	51,426
Number of ordinary shares of RM1.00 each assumed in issue (units '000) *	380,000	380,000	380,000	380,000	380,000	380,000
Gross earnings/ (loss) per ordinary share (sen)	(4.09)	(3.52)	(1.02)	14.18	24.55	#18.81
Net earnings/(loss) per ordinary share (sen)	(4.23)	(3.56)	(2.14)	11.94	17.61	#13.53

* *The number of ordinary shares assumed in issue throughout the financial years/period under review is the number of ordinary shares in issue after the acquisition of Ornasteel and Group Steel i.e 380,000,000 ordinary shares of RM1.00 each.*

\# *Calculated based on the results of the six-month period ended May 31, 2004.*

Assumptions used in the preparation of the summarised proforma consolidated income statements

The summarised proforma consolidated income statements of OHB Group for the five financial years ended November 30, 2003 and the six-month period ended May 31, 2004 are prepared for illustrative purposes only after making such adjustments considered necessary by consolidating the audited financial statements of OHB, Ornasteel, Group Steel and Ornaconstruction for the respective years/period on the assumption that OHB Group has existed throughout the years/period under review.

Notes:

a) The income tax expense for the five financial years ended November 30, 2003 and the six-month period ended May 31, 2004 was arrived at after making adjustments for the adoption of MASB Standard No. 25, Income Taxes and over/underprovision of taxation to reflect the actual tax charge.

In accordance with the Income Tax (Amendment) Act, 1999, tax on income earned in 1999 was waived. The taxation charge for the financial year ended November 30, 1999 relates to deferred taxation arising from consolidation adjustment made for unrealised profits on inventories from intragroup transactions.

For the financial year ended November 30, 2000, the taxation charge relates to interest income which was separately assessed and deferred taxation arising from consolidation adjustment made for unrealised profits on inventories from intragroup transactions.

The effective tax rate for the financial year ended November 30, 2001 is higher than the statutory income tax rate due mainly to certain expenses which were not deductible for tax purposes and the effect of prior year adjustment arising from the adoption of MASB Standard No. 25, Income Taxes in the financial year ended November 30, 2003.

The effective tax rate for the financial year ended November 30, 2002 is lower than the statutory income tax rate due mainly to the utilisation of capital allowances brought forward to set-off against income that would otherwise be taxable.

The effective tax rate for the financial year ended November 30, 2003 and the six-month period ended May 31, 2004 is higher than the statutory income tax rate due to certain expenses which were not deductible for tax purposes.

b) The gross earnings per ordinary share of the OHB Group for the respective financial years/period under review is calculated based on the proforma consolidated profit before tax over the enlarged issued and paid-up share capital of 380,000,000 ordinary shares of RM1.00 each following the acquisition of Ornasteel and Group Steel in connection with the listing exercise.

c) The net earnings per ordinary share of the OHB Group for the respective financial years/period under review is calculated based on the proforma consolidated profit after tax over the enlarged issued and paid-up share capital of 380,000,000 ordinary shares of RM1.00 each following the acquisition of Ornasteel and Group Steel in connection with the listing exercise.

d) There were no extraordinary or exceptional items during the financial years/period under review.

e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No. 25, Income Taxes in the financial year ended November 30, 2003. This change in accounting policy has been accounted for retrospectively and the effects on prior years have been adjusted to the respective years. This change in accounting policy has resulted in a decrease in the profit after tax of OHB Group for the financial years ended November 30, 2001 and 2002 by RM2,362,000 and RM6,198,000 respectively.

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2. **OHB**

The summarised income statement of OHB based on the audited financial statements for the period January 20, 2004 (date of incorporation) to May 31, 2004 is as follows:

RM'000	**January 20, 2004 (date of incorporation) to May 31, 2004**
Revenue	-
Loss before depreciation, finance costs and income tax	(13)
Depreciation of property, plant and equipment	-
Finance costs	-
Loss before tax	(13)
Income tax expense	-
Net loss for the period	(13)
Number of ordinary shares of RM1.00 each	2
Gross loss per ordinary share (RM)	(6,500)
Net loss per ordinary share (RM)	(6,500)

Notes:

a) No provision for income tax has been made for the period January 20, 2004 (date of incorporation) to May 31, 2004 as OHB does not have any chargeable income.

b) The gross loss per ordinary share of OHB for the period under review is calculated based on the loss before tax over the number of shares in issue of 2 ordinary shares of RM1.00 each.

c) The net loss per ordinary share of OHB for the period under review is calculated based on the loss after tax over the number of shares in issue of 2 ordinary shares of RM1.00 each.

d) There were no extraordinary or exceptional items during the period under review.

e) There were no changes in accounting policies or accounting estimates for the period under review.

3. **Ornasteel**

The summarised income statements of Ornasteel based on the audited financial statements for the five financial years ended November 30, 2003 and the six-month period ended May 31, 2004 are as follows:

RM '000	Financial Year Ended November 30, 1999	2000	2001	2002	2003	Period Ended May 31, 2004
	Restated					
Revenue	525,879	622,503	406,981	465,909	597,477	365,631
Profit before depreciation, finance costs and income tax	40,323	20,321	35,857	46,207	59,963	50,355
Depreciation of property, plant and equipment	(18,275)	(18,252)	(18,140)	(18,153)	(15,433)	(7,745)
Finance costs	(25,627)	(17,946)	(11,443)	(7,566)	(4,239)	(1,271)
Profit/(Loss) before tax	(3,579)	(15,877)	6,274	20,488	40,291	41,339
Income tax expense	-	(2)	(4,052)	(5,928)	(11,037)	(11,571)
Net profit/(loss) for the year/period	*(3,579)	*(15,879)	*2,222	14,560	29,254	29,768
Number of ordinary shares of RM1.00 each (units '000)	200,000	200,000	200,000	#206,301	220,000	220,000
Gross earnings/(loss) per ordinary share (sen)	(1.79)	(7.94)	3.14	9.93	18.31	^18.79
Net earnings/(loss) per ordinary share (sen)	(1.79)	(7.94)	1.11	7.06	13.30	^13.53

* *In line with Interpretation Bulletin IB-1 issued by the MASB, effective from December 2000, deferred expenditure that do not meet the criteria of an asset should be recognised as an expense when incurred or written off in full. Accordingly, the deferred foreign exchange losses of RM12,023,000 capitalised in the financial statements in 1999 have been adjusted to reflect the effect of the aforesaid Interpretation Bulletin. The deferred foreign exchange losses of approximately RM5.8 million and RM6.3 million were written back in the financial statements in 2000 and 2001 as the full amount was already written off in 1999.*

\# *Based on weighted average number of 206,301,370 shares.*

^ *Calculated based on the results of the six-month period ended May 31, 2004.*

Notes:

a) The income tax expense for the five financial years ended November 30, 2003 and the six-month period ended May 31, 2004 has been adjusted for adoption of MASB Standard No. 25, Income Taxes and/or over/underprovision of taxation to reflect the actual tax charge.

No provision for income tax has been made for the financial year ended November 30, 1999 due to the income tax waiver under the Income Tax (Amendment) Act, 1999.

The taxation for the financial year ended November 30, 2000 relates to tax payable on other income which was separately assessed. Ornasteel has no taxable business income due to the utilisation of capital allowances brought forward to set off against the business income that would otherwise be taxable.

The effective tax rate for the financial year ended November 30, 2001 is higher than the statutory income tax rate due mainly to certain expenses which were not deductible for tax purposes and the effect of prior year adjustment arising from the adoption of MASB Standard No. 25, Income Taxes in the financial year ended November 30, 2003.

The effective tax rate in the financial year ended November 30, 2002 was higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

The effective tax rate in the financial year ended November 30, 2003 was lower than the statutory tax rate due to double deduction on import insurance.

b) The gross earnings per ordinary share of Ornasteel for the respective financial years/period under review is calculated based on the profit before tax over the number of shares in issue of 200,000,000 ordinary shares of RM1.00 each for the financial years ended November 30, 1999 to 2001, the weighted average number of shares in issue of 206,301,370 ordinary shares of RM1.00 each for the financial year ended November 2002 and 220,000,000 ordinary shares for the financial year ended November 30, 2003 and the six-month period ended May 31, 2004.

c) The net earnings per ordinary share of Ornasteel for the respective financial years/period under review is calculated based on the profit after tax over the number of shares in issue of 200,000,000 ordinary shares of RM1.00 each for the financial years ended November 30, 1999 to 2001, weighted average number of shares in issue of 206,301,370 ordinary shares of RM1.00 each for the financial year ended November 2002 and 220,000,000 ordinary shares for the financial year ended November 30, 2003 and the six-month period ended May 31, 2004.

d) There were no extraordinary or exceptional items during the financial years/period under review.

e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No. 25, Income Taxes in the financial year ended November 30, 2003. This change in accounting policy was accounted for retrospectively and the effects on prior years have been adjusted to the respective years which resulted in a decrease in the profit after tax of Ornasteel for the financial years ended November 30, 2001 and 2002 by RM2,362,000 and RM6,198,000 respectively.

4. **Group Steel**

The summarised income statements of Group Steel based on the audited financial statements for the five financial years ended November 30, 2003 and the six-month period ended May 31, 2004 are as follows:

RM '000	1999	2000	2001 (Restated)	2002 (Restated)	2003 (Restated)	Period Ended May 31, 2004 (Restated)
	Financial Year Ended November 30,					
Revenue	346,346	488,325	338,775	388,274	489,999	272,201
Profit before depreciation, finance costs and income tax	13,636	34,523	15,449	65,566	70,431	42,051
Depreciation of property, plant and equipment	(13,763)	(16,404)	(16,575)	(16,594)	(16,550)	(8,278)
Finance costs	(14,027)	(14,194)	(9,783)	(6,908)	(5,733)	(2,198)
Profit/(Loss) before tax	(14,154)	3,925	(10,909)	42,064	48,148	31,575
Income tax expense	-	-	-	(4,997)	(13,974)	(8,866)
Net profit/(loss) for the year/period	(14,154)	3,925	(10,909)	37,067	34,174	22,709
Number of ordinary shares of RM1.00 each (units '000)	140,000	140,000	140,000	140,000	140,000	140,000
Gross earnings/(loss) per ordinary share (sen)	(10.11)	2.80	(7.79)	30.05	34.39	*22.55
Net earnings/(loss) per ordinary share (sen)	(10.11)	2.80	(7.79)	26.48	24.41	*16.22

* *Calculated based on the results of the six-month period ended May 31, 2004.*

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Notes:

a) The income tax expense for the financial years ended November 30, 2001 to 2003 and the six-month period ended May 31, 2004 has been adjusted for over/underprovision of taxation to reflect the actual tax charge.

No provision for income tax has been made for the financial year ended November 30, 1999 due to the income tax waiver under the Income Tax (Amendment) Act, 1999.

No provision for income tax has been made for the financial years ended November 30, 2000 and 2001 due to the utilisation of capital allowances brought forward to set-off against the income that would otherwise be taxable.

The effective tax rate for the financial year ended November 30, 2002 is lower than the statutory income tax rate due mainly to utilisation of capital allowances brought forward to set-off against the income that would otherwise be taxable.

The effective tax rate for the financial year ended November 30, 2003 and for the six-month period ended May 31, 2004 is higher than the statutory income tax rate due to certain expenses which were not deductible for tax purposes.

b) The gross earnings per ordinary share of Group Steel for the respective financial years/period under review is calculated based on the profit before tax over the number of shares in issue of 140,000,000 ordinary shares of RM1.00 each in the respective years/period under review.

c) The net earnings per ordinary share of Group Steel for the respective financial years/period under review is calculated based on the profit after tax over the number of shares in issue of 140,000,000 ordinary shares of RM1.00 each in the respective years/period under review.

d) There were no extraordinary or exceptional items during the financial years/period under review.

e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No. 25, Income Taxes in the financial year ended November 30, 2003. This change in accounting policy has no effect on the financial statements of Group Steel for the financial years/period under review.

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5. **Ornaconstruction**

The summarised income statements of Ornaconstruction based on the audited financial statements for the five financial years ended November 30, 2003 and the six-month period ended May 31, 2004 are as follows:

RM '000	Financial Year Ended November 30, 1999 (Restated)	2000	2001 (Restated)	2002 (Restated)	2003	Period Ended May 31, 2004
Revenue	5,138	1,933	-	-	-	-
Profit/(loss) before depreciation, finance costs and income tax	303	(1,959)	87	17	4	2
Depreciation of property, plant and equipment	(35)	(4)	(2)	(1)	(1)	(1)
Finance costs	(2)	-	-	-	-	-
Profit/(Loss) before tax	266	(1,963)	85	16	3	1
Income tax expense	-	-	(17)	(5)	(2)	(2)
Net profit/(loss) for the year/period	266	(1,963)	68	11	1	(1)
Number of ordinary shares of RM1.00 each (units '000)	100	100	100	100	100	100
Gross earnings/(loss) per ordinary share (sen)	266.00	(1,963.00)	85.00	16.00	3.00	*1.00
Net earnings/(loss) per ordinary share (sen)	266.00	(1,963.00)	68.00	11.00	1.00	*(1.00)

* *Calculated based on the results of the six-month period ended May 31, 2004.*

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Notes:

a) The income tax expense for the financial years ended November 30, 1999, 2001 and 2002 has been adjusted for over/underprovision of taxation to reflect the actual tax charge.

No provision for income tax has been made for the financial year ended November 30, 1999 due to the income tax waiver under the Income Tax (Amendment) Act, 1999.

No provision for income tax has been made for the financial year ended November 30, 2000 as Ornaconstruction incurred losses during the year.

The taxation for the financial years ended November 30, 2001 to 2003 and for the six-month period ended May 31, 2004 relates to tax payable on interest income.

b) The gross earnings per ordinary share of Ornaconstruction for the respective financial years/period under review is calculated based on the profit before tax over the number of shares in issue of 100,000 ordinary shares of RM1.00 each in the respective years/period under review.

c) The net earnings per ordinary share of Ornaconstruction for the respective financial years/period under review is calculated based on the profit after tax over the number of shares in issue of 100,000 ordinary shares of RM1.00 each in the respective years/period under review.

d) There were no extraordinary or exceptional items during the financial years/period under review.

e) There were no changes in accounting policies or accounting estimates for the financial years/period under review except for the adoption of MASB Standard No. 25, Income Taxes in the financial year ended November 30, 2003. This change in accounting policy has no effect on the financial statements of Ornaconstruction for the financial years/period under review.

G. BALANCE SHEETS

It is impracticable to present the proforma consolidated balance sheets of OHB Group for the financial years/period under review as the purchase considerations for the acquisition of Ornasteel and Group Steel were arrived at based on the net tangible assets of the respective companies as of November 30, 2003. Accordingly, the proforma consolidated balance sheet of OHB Group has only been presented by way of a proforma statement of assets and liabilities as of May 31, 2004 based on the latest audited financial statements as of May 31, 2004 of OHB, Ornasteel, Group Steel and Ornaconstruction as shown in Item H.

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1. **OHB**

The summarised balance sheet of OHB based on the audited financial statements as of May 31, 2004 is as follows:

RM '000	**As of May 31, 2004**
Total Current Assets	844
Total Current Liability	(857)
Net Current Liability	(13)
	(13)
Represented by:	
Issued capital	*
Accumulated loss	(13)
Shareholders' Equity	(13)
Net tangible liability per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	(6,500)

* Represents 2 issued and fully paid ordinary shares of RM1.00 each.

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2. **Ornasteel**

The summarised balance sheets of Ornasteel based on the audited financial statements as of November 30, 1999 to 2003 and May 31, 2004 are as follows:

RM '000	1999	2000	As of November 30, 2001 Restated	2002	2003	As of May 31, 2004
Property, plant and equipment	258,962	242,739	225,356	191,778	186,536	185,028
Investment in subsidiary company	100	100	100	100	100	100
Investment in associated company	31,165	31,165	31,165	31,165	31,165	31,165
Total Current Assets	248,233	238,623	126,170	207,372	170,446	197,667
Total Current Liabilities	(247,800)	(273,151)	(174,032)	(213,211)	(130,435)	(115,110)
Net Current Assets/ (Liabilities)	433	(34,528)	(47,862)	(5,839)	40,011	82,557
Long-Term and Deferred Liabilities	(102,593)	(67,288)	(34,349)	(8,234)	(19,588)	(30,858)
	188,067	172,188	174,410	208,970	238,224	267,992
Represented by:						
Issued capital	200,000	200,000	200,000	220,000	220,000	220,000
Unappropriated profit/ (Accumulated loss)	*(11,933)	*(27,812)	*(25,590)	(11,030)	18,224	47,992
Shareholders' Equity	188,067	172,188	174,410	208,970	238,224	267,992
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	0.94	0.86	0.87	0.95	1.08	1.22

* *In line with Interpretation Bulletin IB-1 issued by the MASB, effective from December 2000, deferred expenditure that do not meet the criteria of an asset should be recognised as an expense when incurred or written off in full. Accordingly, the deferred foreign exchange losses of RM12,023,000 capitalised in the financial statemenst in 1999 have been adjusted to reflect the effect of the aforesaid Interpretation Bulletin. The deferred foreign exchange losses of approximately RM5.8 million and RM6.3 million were written back in the financial statements 2000 and 2001 as the full amount was already written off in 1999.*

3. **Group Steel**

The summarised balance sheets of Group Steel based on the audited financial statements as of November 30, 1999 to 2003 and May 31, 2004 are as follows:

RM '000	1999	2000	As of November 30, 2001 (Restated)	2002 (Restated)	2003 (Restated)	As of May 31, 2004
Property, plant and equipment	265,906	249,604	233,452	216,687	199,882	192,187
Total Current Assets	102,728	111,991	59,543	138,154	135,108	169,843
Total Current Liabilities	(175,451)	(145,753)	(53,313)	(102,788)	(68,106)	(65,036)
Net Current Assets/ (Liabilities)	(72,723)	(33,762)	6,230	35,366	67,002	104,807
Long-Term and Deferred Liabilities	(87,750)	(106,484)	(141,233)	(116,537)	(97,194)	(104,595)
	105,433	109,358	98,449	135,516	169,690	192,399
Represented by:						
Issued capital	140,000	140,000	140,000	140,000	140,000	140,000
Unappropriated profit/ (Accumulated loss)	(34,567)	(30,642)	(41,551)	(4,484)	29,690	52,399
Shareholders' Equity	105,433	109,358	98,449	135,516	169,690	192,399
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	0.75	0.78	0.70	0.97	1.21	1.37

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4. **Ornaconstruction**

The summarised balance sheets of Ornaconstruction based on the audited financial statements as of November 30, 1999 to 2003 and May 31, 2004 are as follows:

RM '000	1999	2000	As of November 30, 2001 (Restated)	2002	2003	As of May 31, 2004
Property, plant and equipment	18	16	2	2	1	1
Total Current Assets	28,810	29,580	872	702	348	348
Total Current Liabilities	(22,586)	(25,317)	(631)	(594)	(238)	(239)
Net Current Assets	6,224	4,263	241	108	110	109
	6,242	4,279	243	110	111	110
Represented by:						
Issued capital	100	100	100	100	100	100
Unappropriated profit	6,142	4,179	143	10	11	10
Shareholders' Equity	6,242	4,279	243	110	111	110
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	62.42	42.79	2.43	1.10	1.11	1.10

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H. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES AS OF MAY 31, 2004

As mentioned in Item G, the proforma statements of assets and liabilities of OHB Group and of OHB as of May 31, 2004 are as follows:

	Note	OHB Group RM	The Company RM
Property, plant and equipment	2	377,215,407	-
Investment in subsidiary companies	3	-	414,445,306
Current Assets			
Inventories	4	141,760,477	-
Trade receivables	5	166,087,608	-
Other receivables, deposits and prepaid expenses	5	10,062,834	844,063
Fixed deposits, cash and bank balances	6	75,091,357	2
		393,002,276	844,065
Current Liabilities			
Trade payables	7	8,097,021	-
Other payables and accrued expenses	7	23,796,204	5,227
Amount owing to subsidiary company	8	-	852,166
Amount owing to ultimate holding company	9	10,498,311	-
Bonds – current portion	10	30,000,000	-
Short-term borrowings	11	94,732,376	-
Long-term loans – current portion	12	3,251,250	-
		170,375,162	857,393
Net Current Assets/(Liabilities)		222,627,114	(13,328)
Long-Term and Deferred Liabilities			
Bonds - non-current portion	10	(40,000,000)	-
Long-term loans - non-current portion	12	(36,758,250)	-
Deferred tax liabilities	13	(58,694,862)	-
Net Assets		464,389,409	414,431,978
Represented by:			
Issued capital	14	380,000,000	380,000,000
Share premium	15	34,445,308	34,445,308
Reserve on consolidation	16	49,957,431	-
Accumulated loss		(13,330)	(13,330)
Shareholders' Equity		464,389,409	414,431,978
Total net tangible assets		464,389,409	414,431,978
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)		1.22	1.09

Assumptions used in the preparation of the proforma statements of assets and liabilities of OHB Group and of OHB as of May 31, 2004.

a) The proforma statements of assets and liabilities of OHB Group and of OHB as of May 31, 2004 have been prepared for illustrative purposes based on the audited financial statements of OHB, Ornasteel, Group Steel and Ornaconstruction as of May 31, 2004 after making such adjustments necessary on the assumption that the acquisitions of Ornasteel and Group Steel have been effected on May 31, 2004. These proforma statement of assets and liabilities have been prepared based on accounting principles and bases consistent with those normally adopted by OHB, Ornasteel, Group Steel and Ornaconstruction in the preparation of their respective audited financial statements as of May 31, 2004.

b) The proforma statements of assets and liabilities should be read in conjunction with the Notes set out in section J of this report.

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I. PROFORMA CASH FLOW STATEMENTS

The following proforma cash flow statements of OHB Group and of OHB for the six-month period ended May 31, 2004 have been prepared for illustrative purposes only based on the audited financial statements of OHB for the period January 20, 2004 (date of incorporation) to May 31, 2004, Ornasteel, Group Steel and Ornaconstruction for the six-month period ended May 31, 2004 and on the assumption that OHB Group has been in existence throughout the said financial period:

	OHB Group RM	The Company RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	71,460,459	(13,330)
Adjustments for:		
Depreciation of property, plant and equipment	16,022,714	-
Finance costs	3,469,356	-
Property, plant and equipment written off	40,117	-
Unrealised loss on foreign exchange	12,500	-
Loss on disposal of property, plant and equipment	783	-
Interest income	(353,672)	-
Allowance for doubtful debts no longer required	(800)	-
Operating Profit/(Loss) Before Working Capital Changes	90,651,457	(13,330)
Increase in:		
Inventories	(9,762,916)	-
Trade receivables	(49,224,033)	-
Other receivables, deposits and prepaid expenses	(1,900,419)	(844,063)
Increase/(Decrease) in:		
Trade payables	(7,552,969)	-
Other payables and accrued expenses	3,359,240	857,393
Amount owing to ultimate holding company	(4,658,414)	-
Cash Generated From Operations	20,911,946	-
Income tax refund	259,664	
Interest paid	(3,206,084)	-
Income tax paid	(166,505)	-
Net Cash From Operating Activities	17,799,021	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of shares in an associated company	37,810,274	-
Interest received	326,265	-
Proceeds from disposal of property, plant and equipment	25,000	-
Purchase of property, plant and equipment	(6,885,032)	-
Net Cash From Investing Activities	31,276,507	-

(Forward)

	Note	OHB Group RM	The Company RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		181,268,750	-
Proceeds from issue of shares		2	2
Repayment of short-term borrowings		(184,080,000)	-
Repayment of long-term loans		(1,530,000)	-
Net Cash Used In Financing Activities		(4,341,248)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		44,734,280	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/DATE OF INCORPORATION		30,280,951	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18	75,015,231	2

The above proforma cash flow statements should be read in conjunction with the Notes set out in section J of this Report.

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J. NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

1. SIGNIFICANT ACCOUNTING POLICIES

Income Tax

Deferred tax is accounted for using the "balance sheet liability" method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. Any impairment loss is charged to the income statements whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. An impairment is only reversed to the extent the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if the impairment loss had not occurred.

Depreciation and amortisation of other property, plant and equipment, except for freehold land and plant and machinery under installation which are not depreciated, is computed on the straight-line method at rates based on their estimated useful lives. The principal annual rates used are as follows:

Land held under long leases	Over 96 years and 99 years
Buildings	4%
Plant and machinery	6.67%
Equipment, furniture, fixtures and fittings	10% ~ 33 1/3%
Motor vehicles	10% ~ 20%

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Basis of Consolidation

Subsidiary companies are those enterprises controlled by OHB. Control exists when OHB has the power to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of OHB and its subsidiary companies as mentioned in Note 3 made up to May 31, 2004.

The subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the subsidiary companies are measured at their fair values on the date of acquisition.

All significant inter-company transactions and balances are eliminated on consolidation.

Investment in Subsidiary Companies

Investment in unquoted shares of subsidiary companies, which is eliminated on consolidation, is stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Reserve on Consolidation

Reserve on consolidation represents the excess of the net assets of subsidiary companies as at the date of acquisition over their purchase consideration and is accreted over 60 months.

Inventories

Inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. The cost of raw materials comprises the original cost of purchase plus the cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of the manufacturing overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

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2. PROPERTY, PLANT AND EQUIPMENT

Proforma Group	Cost RM	Accumulated Depreciation RM	Accumulated Impairment Loss RM	Net Book Value RM
Freehold land	4,170,809	-	-	4,170,809
Land under long leases	22,523,646	2,159,556	-	20,364,090
Buildings	86,597,334	25,703,817	-	60,893,517
Plant and machinery	476,134,819	198,921,997	5,581,169	271,631,653
Equipment, furniture, fixture and fittings	11,116,878	3,491,262	21,671	7,603,945
Motor vehicles	3,062,776	2,555,992	-	506,784
Plant and machinery under installation	12,044,609	-	-	12,044,609
Total	615,650,871	232,832,624	5,602,840	377,215,407

Based on the assessment of the economic conditions, the directors concluded that there were adverse external factors which led to the impairment loss on the property, plant and equipment of OHB Group amounting to RM5,602,840. The recoverable amount is estimated by the directors based on the expected disposal value.

Land under long leases and buildings of a subsidiary company with carrying value of RM52,418,381 are pledged to certain licensed banks for credit facilities granted as disclosed in Notes 10,11 and 12.

Included in property, plant and equipment of certain subsidiary companies are fully depreciated property, plant and equipment which are still in use, with costs totalling approximately RM3,050,000 as of May 31, 2004.

3. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company RM
Unquoted shares - at cost	414,445,306

The details of the subsidiary companies, which are all incorporated in Malaysia, are as follows:

Name of company	Effective Equity Interest	Principal Activities
Direct subsidiary companies		
Ornasteel	100%	Manufacturing and marketing of cold rolled steel products
Group Steel	100%	Manufacturing and marketing of hot dip galvanised steel products and prepainted galvanised steel products
Indirect subsidiary company		
Ornaconstruction	100%	Dormant company

4. INVENTORIES

	OHB Group RM
At cost :	
Raw materials	42,112,622
Work-in-progress	28,022,322
Finished goods	52,242,157
Consumables	13,793,311
	136,170,412
At net realisable value:	
Finished goods	5,590,065
Total	141,760,477

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5. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	OHB Group RM
Trade receivables	172,481,404
Allowance for doubtful debts	(6,393,796)
	166,087,608

Analysis of trade receivables by currency is as follows:

	Ringgit Malaysia RM	United States Dollars ("USD") RM	Total RM
Trade receivables	166,041,466	6,439,938	172,481,404

Trade receivables comprise amounts receivable for sales of goods. The credit period granted on sales of goods ranges from cash terms to 30 days. An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM6,393,796 based on the default experience of the subsidiary companies.

Other receivables, deposits and prepaid expenses consist of:

	OHB Group RM	The Company RM
Other receivables	6,001,362	-
Refundable deposits	396,452	-
Prepaid expenses	2,600,485	844,063
Income tax recoverable	1,064,535	-
	10,062,834	844,063

Other receivables comprise mainly advance payments to suppliers for purchases of goods, spare parts and consumables. Included in prepaid expenses of OHB Group and of the Company is an amount of RM844,063 which will be set off against share premium account upon completion of listing of OHB on the Main Board of Bursa Securities.

6. FIXED DEPOSITS, CASH AND BANK BALANCES

	OHB Group RM	The Company RM
Fixed deposits with licensed banks	29,825,000	-
Cash and bank balances	45,266,357	2
	75,091,357	2

The average interest rates for fixed deposits range from 2.50% to 3.00% per annum and the average maturity period is 30 days.

7. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amount outstanding for trade purchases and ongoing costs. The average credit period granted for trade purchases ranges from cash terms to 60 days.

Other payables and accrued expenses consist of:

	OHB Group RM	The Company RM
Other payables	14,553,181	-
Accrued expenses	9,243,023	5,227
	23,796,204	5,227

Other payables comprise mainly amounts owing for capital expenditure, transportation, consumables and goods received but not yet invoiced.

8. AMOUNT OWING TO SUBSIDIARY COMPANY

The amount owing to subsidiary company arose mainly from expenses paid on behalf. The amount is unsecured, interest free and has no fixed terms of repayment.

9. AMOUNT OWING TO ULTIMATE HOLDING COMPANY

The ultimate holding company is China Steel Corporation, a company incorporated in Taiwan and listed on the Taiwan Stock Exchange.

The amount due to ultimate holding company, which arose mainly from trade transactions is unsecured, interest-free and repayable within the normal trade terms of 7 days.

The amount due to ultimate holding company represents the Ringgit Malaysia equivalent of USD2,744,649.

10. BONDS

The Bonds represent Negotiable Bank Guaranteed Serial Bonds (the "Bonds") for RM100 million issued by a subsidiary company ("the Issuer") pursuant to a financing facility under the Syariah Principle of Al – Bai Bithaman Ajil ("ABBA Bonds Issuance Facility").

The Bonds are supported by Al-Kafalah Bank Guarantee of certain financial institutions which in turn is secured against a debenture creating a first fixed charge over the Issuer's land under long leases and buildings and floating charge over all the other assets of the Issuer.

The salient features of the Bonds are as follows:

a) The issue of RM100,000,000 primary bonds is attached with secondary bonds amounting to RM13,741,000 structured on a deferral payment basis. Each secondary bond carries a redeemable promissory note bearing the face amount with an aggregate sum amounting to RM13,741,000 bearing the profit margin derived from the primary bonds pursuant to the ABBA Bonds Issuance Facility; and

b) The profit margin attached to the secondary bonds is payable on a semi-annual basis, until the maturity date.

Pursuant to the ABBA Bonds Issuance Facility, the remaining balance of the primary bonds will be repaid in 4 tranches as follows:

Tranche	Profit Margin Per Annum	Date Maturity	OHB Group RM
B	4.25%	September 19, 2004	16,500,000
C	4.60%	September 19, 2005	22,000,000
E	4.35%	September 19, 2004	13,500,000
F	4.70%	September 19, 2005	18,000,000
			70,000,000

The non-current portion consists of tranches C and F as above.

11. SHORT-TERM BORROWINGS

Short-term borrowings consist of the following:

	OHB Group RM
Short-term loan	60,243,750
Bankers acceptances	32,500,000
Onshore foreign currency loan	1,912,500
Bank overdrafts	76,126
Total	94,732,376

As of May 31, 2004, OHB Group has bank overdrafts and other credit facilities totalling RM282,425,000 which bear interest at rates ranging from 1.80% to 6.75% per annum.

These facilities are secured by the following:

a) debenture covering fixed and floating charges over the entire assets of its subsidiary companies;

b) a fixed charge on the land under long leases and buildings of a subsidiary company with carrying values amounting to RM52,418,381 as of May 31, 2004; and

b) letter of support from the ultimate holding company, China Steel Corporation.

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12. LONG-TERM LOANS

	OHB Group RM
Outstanding loan principal	40,009,500
Less: Portion due within one year, included under current liabilities	(3,251,250)
Non-current portion	36,758,250

The long-term loans of OHB Group are secured by way of:

a) a fixed charge on the land under long leases and buildings of a subsidiary company with a carrying value of RM52,418,381 as of May 31, 2004;

b) debentures covering fixed and floating over the entire assets of its subsidiary companies; and

c) letter of support from the ultimate holding company, China Steel Corporation.

The long-term loans bear interest at rates ranging from 2.67% to 2.80% per annum.

The non-current portion of the long-term loans is repayable as follows:

	OHB Group RM
Year ending May 31:	
2005	-
2006	36,758,250
	36,758,250

13. DEFERRED TAX LIABILITIES

The deferred tax liabilities are in respect of the following:

	OHB Group Deferred Tax Liabilities/ (Assets) RM
Tax effects of temporary differences in respect of:	
Property, plant and equipment	75,898,392
Unutilised tax losses and capital allowances	(15,409,767)
Others	(1,793,763)
	58,694,862

As of May 31, 2004, the estimated amount of deferred tax assets calculated at current tax rate pertaining to a subsidiary company not recognised in the financial statements, is as follows:

	Deferred Tax Assets RM
Tax effects of temporary differences in respect of:	
Unutilised tax losses	392,000
Unabsorbed capital allowances	1,300
	393,300

The unutilised tax losses and capital allowances are subject to the approval of the tax authorities.

As of May 31, 2004, OHB Group has unutilised investment tax and reinvestment allowances carried forward amounting to approximately RM162,000,000 which, if agreed by the tax authorities, are available for set-off against future taxable income and will enable OHB Group to distribute tax exempt dividends up to the amount utilised. As of May 31, 2004, OHB Group has not utilised the said investment tax and reinvestment allowances.

As of May 31, 2004, OHB Group has tax exempt income amounting to approximately RM268,000 arising from chargeable income waived in 1999 in accordance with Section 12 of the Income Tax (Amended) Act, 1999.

14. SHARE CAPITAL

	OHB Group and the Company RM
Authorised:	
Ordinary shares of RM1.00 each:	
At date of incorporation	100,000
Created during the period	999,900,000
At end of period	1,000,000,000
Issued and fully paid:	
Ordinary shares of RM1.00 each:	
At date of incorporation	2
Issued during the period	379,999,998
At end of period	380,000,000

As approved by the shareholders on September 30, 2004, the authorised share capital was increased from RM100,000 to RM1,000,000,000 on September 30, 2004 by the creation of an additional 999,900,000 ordinary shares of RM1.00 each.

As approved by the SC and the relevant authorities in connection with the listing exercise of OHB on the Main Board of the Bursa Securities, the issued and paid-up share capital of OHB was increased from RM2 to RM380,000,000 by an allotment of 379,999,998 new ordinary shares of RM1.00 in connection with the acquisition of the entire equity interest of Ornasteel and Group Steel. The new ordinary shares issued rank pari passu with the then existing ordinary shares of OHB.

The resultant premium amounting to RM34,445,308 arising from the shares issued have been credited to the share premium account as shown in Note 15.

15. SHARE PREMIUM

Share premium arose from the issuance of 379,999,998 ordinary shares of RM1.00 each pursuant to the acquisitions of Ornasteel and Group Steel at an issue price of approximately RM1.09 per OHB share.

16. RESERVE ON CONSOLIDATION

Reserve on consolidation represents the excess of the net assets of subsidiary companies as at the date of acquisition over their purchase consideration.

17. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

Foreign Currency Risk

The Group undertakes certain transactions in USD where the amounts outstanding are exposed to foreign currency risk. However, the imposition of currency controls via the pegging of Ringgit Malaysia to the USD at fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has minimised the foreign currency risks.

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing fixed deposits, short-term borrowings and long-term loans as disclosed in Notes 6, 11 and 12.

Credit Risk

The Group has no major concentration of credit risk and manage these risks by monitoring credit ratings and limiting the aggregate financial exposure to any individual counterparty. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

The Group places its fixed deposits with credit-worthy institutions.

Liquidity Risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances, and trade and other receivables. The accounting policies applicable to major financial assets are disclosed in Note 1.

Financial Liabilities

Significant financial liabilities include trade and other payables, short-term borrowings, Bonds and long-term loans.

Fair Values

The carrying amounts and the estimated fair values of the Group's financial instruments as of May 31, 2004 are as follows:

	Note	Carrying Amount RM	Fair Value RM
Financial Liabilities			
Long-term loans	12	40,009,500	40,009,500
Bonds *	10	70,000,000	-

* No disclosure is made for Bonds as it is not practicable to determine its fair value due to the lack of quoted market prices and the assumptions required for valuation models cannot be reasonably determined.

Long-Term Loans

The fair values of the long-term loans were estimated using the discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Short-Term Borrowings and Inter-Company Indebtedness

The carrying amounts approximate their fair values because of the short-term maturity of these instruments.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the proforma cash flow statement comprise the following:

	OHB Group RM	The Company RM
Cash and bank balances	45,266,357	2
Fixed deposits with licensed banks	29,825,000	-
Bank overdrafts (Note 11)	(76,126)	-
	75,015,231	2

19. CAPITAL COMMITMENTS

As of May 31, 2004, OHB Group has commitments relating to the purchase of machinery and equipment as follows:

	OHB Group RM	The Company RM
Approved but not contracted for	15,288,000	-
Approved and contracted for	14,321,000	-
	29,609,000	-

20. PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma statement of assets and liabilities of OHB Group as of May 31, 2004, the proforma net tangible assets per ordinary share of RM1.00 each after taking into account the estimated listing expenses to be incurred is as follows:

	RM
Proforma net tangible assets of OHB Group	464,389,409
Less: Estimated listing expenses to be incurred	(1,500,000)
Adjusted net tangible assets	464,889,409
Number of ordinary shares of RM1.00 each assumed in issue as of May 31, 2004	380,000,000
Proforma net tangible assets per ordinary share of RM1.00 each	1.22

21. SUBSEQUENT EVENTS

Save as disclosed in Section B2, we are not aware of any subsequent event between June 1, 2004 and the date of this report.

22. AUDITED FINANCIAL STATEMENTS

No audited financial statements of OHB and its subsidiary companies have been prepared in respect of any period subsequent to May 31, 2004.

Yours faithfully,

DELOITTE & TOUCHE
AF0834
Chartered Accountants

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

XIII. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

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

24 November 2004

Registered address:

106A Taman Melaka Raya
75000 Melaka

The Shareholders
Ornasteel Holdings Berhad ("OHB ")

Dear Sir/Madam,

On behalf of the Board of Directors, I wish to report after due enquiry that between the period from 31 May 2004 (being the date to which the last financial statements of OHB and its subsidiaries ("Group") have been made up) to 24 November 2004 (being a date not earlier than 14 days before the issuance of this Prospectus):

(a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiaries;

(e) in the opinion of the Directors, they are not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and

(f) save for the changes resulting from continuing operations and save as disclosed in the Proforma Consolidated Balance Sheets as set out in Section 5 of Part XI of this Prospectus and the Accountants' Report as set out in Part XII of this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully,
For and on behalf of the Board of Directors
Ornasteel Holdings Berhad

Huang Tsong-Ying
Group Managing Director