

DeGem Berhad

415726-T

(Incorporated in Malaysia under the Companies Act, 1965)

OFFER FOR SALE

Of 1,400,000 Ordinary Shares Of RM1.00 Each To Bumiputera Investors
Approved By The Ministry Of International Trade And Industry
At An Offer Price Of RM1.60 Per Ordinary Share Payable In Full On Application

And

PUBLIC ISSUE

Of 7,000,000 New Ordinary Shares Of RM1.00 Each
At An Issue Price Of RM1.60 Per New Ordinary Share
Payable In Full On Application

In Conjunction With The Listing Of **DeGem Berhad**
On The Second Board Of The Kuala Lumpur Stock Exchange

Adviser & Joint Managing Underwriter



Joint Managing Underwriter



FOR INFORMATION CONCERNING CERTAIN RISK FACTORS
WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS,
SEE "RISK FACTORS" IN SECTION 3 HEREIN



THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF DEGEM BERHAD ("DEGEM" OR THE "COMPANY") AND/OR THE OFFEROR AND THEY COLLECTIVELY AND INDIVIDUALLY, ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE AND/OR MISLEADING.

AFFIN MERCHANT BANK BERHAD, BEING THE ADVISER AND JOINT MANAGING UNDERWRITER ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC OFFERING AND IS SATISFIED THAT THE PROFIT FORECAST (FOR WHICH THE DIRECTORS OF THE COMPANY ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THIS PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

THE APPROVAL OF THE SECURITIES COMMISSION ("SC") SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFER FOR SALE OF 1,400,000 ORDINARY SHARES OF RM1.00 EACH AND THE PUBLIC ISSUE OF 7,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN DEGEM AT AN OFFER/ISSUE PRICE OF RM1.60 PER ORDINARY SHARE. THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE DEGEM GROUP AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINION OR REPORTS EXPRESSED IN THIS PROSPECTUS. **INVESTORS ARE ADVISED TO MAKE THEIR OWN INDEPENDENT ASSESSMENT OF DEGEM AND SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

THE OFFER/ISSUE PRICE OF RM1.60 PER SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY DEGEM AND AFFIN MERCHANT BANK BERHAD AS THE ADVISER AND JOINT MANAGING UNDERWRITER BASED ON VARIOUS RELEVANT FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED. THE UNDERWRITERS MAY ENTER OR HAVE ENTERED INTO ARRANGEMENTS TO PLACE OUT ANY SHARES WHICH THEY MAY BE REQUIRED TO PURCHASE OR SUBSCRIBE PURSUANT TO THEIR UNDERWRITING COMMITMENTS.

THE KUALA LUMPUR STOCK EXCHANGE ("KLSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINION OR REPORTS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE DEGEM GROUP OR ITS ORDINARY SHARES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC AND LODGED WITH THE REGISTRAR OF COMPANIES, MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

INDICATIVE TIMETABLE

The following events are intended to take place on the following dates:-

EVENT		DATE
OPENING DATE	:	27 August 2001
CLOSING DATE	:	10 September 2001
TENTATIVE BALLOTING DATE	:	Mid September 2001
TENTATIVE ALLOTMENT DATE	:	Early October 2001
TENTATIVE LISTING DATE	:	Mid October 2001

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following abbreviations shall apply throughout:

Acquisition	: Acquisition of the entire equity interests in P.Y.T. Group by Degem for an aggregate consideration of RM39,065,304 to be satisfied by the issuance of 34,999,998 new Degem Shares at an issue price of approximately RM1.12 per Degem Share
ADA	: Authorised Depository Agent
ADA Code	: Authorised Depository Agent (Broker) Code
Affin Merchant	: Affin Merchant Bank Berhad (9999-V) <i>(formerly known as Perwira Affin Merchant Bank Berhad)</i>
Board	: Board of Directors
CDS	: Central Depository System
Companies Act	: The Malaysian Companies Act, 1965
Degem or Company	: Degem Berhad (415726-T)
Degem Group or Group	: Degem and its subsidiaries, namely, P.Y.T., P-Ampang, Diamond & Platinum, P-Manufacturing, P-Medal, P-Jewellers, Tong Yek, Inticraft, Diamond Mart and Telenaga
Degem Share(s)	: Ordinary shares of RM1.00 each in the Company
Diamond & Platinum	: Diamond & Platinum Sdn Bhd (493079-H), a 60% owned subsidiary of P.Y.T.
Diamond Mart	: Diamond Mart Sdn Bhd (423403-P), a wholly-owned subsidiary of P.Y.T.
EPS	: Earnings per share
FIC	: Foreign Investment Committee
Inticraft	: Inticraft Sdn Bhd (453119-W), a wholly-owned subsidiary of P.Y.T.
IPO	: Offer for Sale and Public Issue collectively
IPO Shares	: Offer Shares and Public Issue Shares collectively
KLSE	: Kuala Lumpur Stock Exchange (30632-P)
Legion	: Legion Master Sdn Bhd (507780-K)
LPS	: Loss per share
MCD	: Malaysian Central Depository Sdn Bhd (165570-W)
MI	: Minority interest
MIDA	: Malaysian Industrial Development Authority

DEFINITIONS *(Cont'd)*

MIDFCCS	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)						
MITI	:	Ministry of International Trade and Industry						
NTA	:	Net tangible assets						
NTL	:	Net tangible liabilities						
Offeror	:	The following shareholder of Degem who will offer its shares for sale:						
		<table> <tr> <th>Shareholder</th><th>No. of Degem Shares offered for sale</th><th>% of enlarged share capital</th></tr> <tr> <td>Legion</td><td>1,400,000</td><td>3.33</td></tr> </table>	Shareholder	No. of Degem Shares offered for sale	% of enlarged share capital	Legion	1,400,000	3.33
Shareholder	No. of Degem Shares offered for sale	% of enlarged share capital						
Legion	1,400,000	3.33						
Offer for Sale or Offer	:	The offer for sale by the Offeror of 1,400,000 ordinary shares of RM1.00 each in Degem at an offer price of RM1.60 per share to Bumiputra investors approved by MITI						
Offer Shares	:	The 1,400,000 new ordinary shares of RM1.00 each in Degem to be offered pursuant to the Offer for Sale						
P-Ampang	:	P.Y.T. Jewellers (Ampang) Sdn Bhd (496161-H), a 90% owned subsidiary of P.Y.T.						
P-Manufacturing	:	P.Y.T. Manufacturing Sdn Bhd (221640-K), a wholly-owned subsidiary of Tong Yek						
P-Medal	:	P.Y. Medal Mfg (M) Sdn Bhd (147184-U), a wholly-owned subsidiary of P.Y.T.						
P-Jewellers	:	P.Y.T. Jewellers Sdn Bhd (222970-V), a wholly-owned subsidiary of P.Y.T.						
Participating Financial Institution(s)	:	Refers to the Participating Financial Institutions for Electronic Share Applications as listed in Section 17.9 of this Prospectus						
PE Multiple	:	Price-earnings multiple						
Public Issue	:	The public issue by Degem of 7,000,000 new ordinary shares of RM1.00 in Degem at an issue price of RM1.60 per new ordinary share to Bumiputra investors approved by MITI, the eligible employees of the Degem Group and the Malaysian public						
Public Issue Shares	:	The 7,000,000 new ordinary shares of RM1.00 each in Degem to be issued pursuant to the Public Issue						
P.Y.T.	:	P.Y.T. Jewel & Time Sdn Bhd (92171-U), a wholly-owned subsidiary of Degem						
P.Y.T. Group	:	P.Y.T. and its subsidiaries						
RM and sen	:	Ringgit Malaysia and sen respectively						
ROC	:	Registrar of Companies						

DEFINITIONS *(Cont'd)*

SC	:	Securities Commission
Telenaga	:	Telenaga Sdn Bhd (415374-K), a wholly-owned subsidiary of P-Jewellers
Tong Yek	:	Tong Yek Jewellers Sdn Bhd (115806-V), a wholly-owned subsidiary of P.Y.T.
USA	:	United States of America
US\$:	United States Dollar

Words denoting the singular number only shall include the plural and also vice versa and words denoting the masculine gender shall, where applicable include the feminine gender and vice-versa. Reference to persons shall include corporations.

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1. CORPORATE INFORMATION

Board of Directors

Name	Address	Occupation	Nationality
Hasan bin M. Taib <i>Chairman</i>	No. 114B, Jalan Burhanuddin Helmi Taman Tun Dr Ismail 60000 Kuala Lumpur	Company Director	Malaysian
Chong Kai Sun @ Choong Kai Sun <i>Managing Director</i>	No. 43, Jalan SS 25/32 Taman Mayang 47301 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Choong Kai Soon <i>Executive Director</i>	No. 40, Jalan SS 24/24 Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Choong Kai Fatt <i>Executive Director</i>	No. 51, Jalan SS 24/24 Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Choong Khoi Onn <i>Executive Director</i>	No. 40, Jalan SS 24/24 Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Koh Eng Yeah <i>Executive Director</i>	No. 43, Jalan SS 25/32 Taman Mayang 47301 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Tunku Mohd Patani bin Tunku Nong Jiwa <i>Executive Director</i>	NC 702, Indah Villa Condominium Subang Indah 47500 Subang Jaya Selangor Darul Ehsan	Company Director	Malaysian
Leou Thiam Lai <i>Independent Non-Executive Director</i>	No. 149, Jalan Aminuddin Baki Taman Tun Dr. Ismail 60000 Kuala Lumpur	Accountant	Malaysian
Chuah Teong Aung <i>Independent Non-Executive Director</i>	No. 12, Jalan Hujan Bukit Taman Overseas Union Jalan Kelang Lama 58200 Kuala Lumpur	Company Director	Malaysian
Ahmad bin Habib <i>Independent Non-Executive Director</i>	No. 10, Jalan BU1/4 Taman Bukit Utama Bukit Antarabangsa 68000 Ampang Selangor Darul Ehsan	Company Director	Malaysian

1. CORPORATE INFORMATION *(cont'd)*

Audit Committee

Name	Responsibility	Directorship
Leou Thiam Lai	Chairman	Independent and Non-Executive Director
Ahmad bin Habib	Member	Independent and Non-Executive Director
Chuah Teong Aung	Member	Independent and Non-Executive Director
Choong Khoi Onn	Member	Executive Director

Company Secretary	:	<p>Sha Thiam Fook (MIA 1832) 23, Jalan 4/98 Taman Supreme Cheras 56100 Kuala Lumpur</p> <p>Chow Chooi Yoong (MAICSA 0772574) 48, Jalan USJ 5/1G 47610 UEP Subang Jaya Selangor Darul Ehsan</p>
Registered Office/ Head Office	:	<p>45, 1st Floor Jalan SS 2/55 47300 Petaling Jaya Selangor Darul Ehsan</p> <p>Telephone No: 03-78767922 Facsimile No: 03-78758922 E-mail address: pytj@po.jaring.my Website: http://www.pyt.com.my</p>
Issuing House	:	<p>MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H) 12th Floor, Bangunan MIDF 195A Jalan Tun Razak 50400 Kuala Lumpur</p>
Share Registrar	:	<p>Signet Share Registration Services Sdn Bhd (506293-D) 11th Floor, Tower Block Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur</p>

1. CORPORATE INFORMATION *(cont'd)*

Principal Bankers	:	<p>Malayan Banking Berhad (3813-K) No.66, 68 & 70, Jalan Maarof Bangsar Baru 59100 Kuala Lumpur</p> <p>Southern Bank Berhad (5303-W) Wisma Idris 17, Jalan Sultan Ismail 50250 Kuala Lumpur</p>
Reporting Accountants	:	<p>Ernst & Young (AF: 0039) Public Accountants 4th Floor, Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur</p>
Auditors	:	<p>Ernst & Young (AF: 0039) Public Accountants 4th Floor, Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur</p> <p>Lean Oh & Associates (AF: 0030) 8, 1st Floor, Jalan SS2/63 47300 Petaling Jaya Selangor Darul Ehsan</p> <p>S. F. Lee & Co. (AF: 0670) 5-3, Udarama Complex Jalan 1/ 64A, Off Jalan Ipoh 50350 Kuala Lumpur</p>
Solicitors for the IPO	:	<p>Lee Boon Peng & Co. Suites 12A-06 & 12A-07, Level 12A Heritage House No. 33, Jalan Yap Ah Shak 50300 Kuala Lumpur</p>
Solicitors for the Due Diligence	:	<p>Kamarudin & Partners 4th Floor, Wisma Pahlawan Jalan Sultan Sulaiman 50000 Kuala Lumpur</p>
Adviser and Joint Managing Underwriter	:	<p>Affin Merchant Bank Berhad (9999-V) <i>(formerly known as Perwira Affin Merchant Bank Berhad)</i> 27th Floor, Menara Boustead 69, Jalan Raja Chulan 50200 Kuala Lumpur</p>

1. CORPORATE INFORMATION *(cont'd)*

Joint Managing Underwriter	:	K & N Kenanga Berhad (15678-H) 801, 8 th Floor Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur
Underwriters	:	Affin Merchant Bank Berhad (9999-V) <i>(formerly known as Perwira Affin Merchant Bank Berhad)</i> 27 th Floor, Menara Boustead 69, Jalan Raja Chulan 50200 Kuala Lumpur OSK Securities Berhad (14152-V) <i>(formerly known as O.S.K. Securities Bhd)</i> 20 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur K & N Kenanga Berhad (15678-H) 801, 8 th Floor Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur
Listing Sought	:	Second Board of the KLSE

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2. INFORMATION SUMMARY

The information summary set out below is only a summary of the salient information about the Company and investors should read and understand the whole Prospectus prior to deciding whether to invest in the Company.

2.1 History and Activity

Degem was incorporated in Malaysia on 3 January 1997 under the Companies Act, 1965 as a private limited company under the name of Delta Riviera Sdn. Bhd. Subsequently, on 27 February 1997, the Company changed its name to Degem Sdn. Bhd. On 7 March 1997, the Company was converted to a public limited company and assumed its present name.

The present authorised capital of Degem is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each of which 35,000,000 ordinary shares have been issued and fully paid-up.

Degem is principally an investment and property holding company with ten (10) subsidiary companies, whose principal activities are briefly described below:-

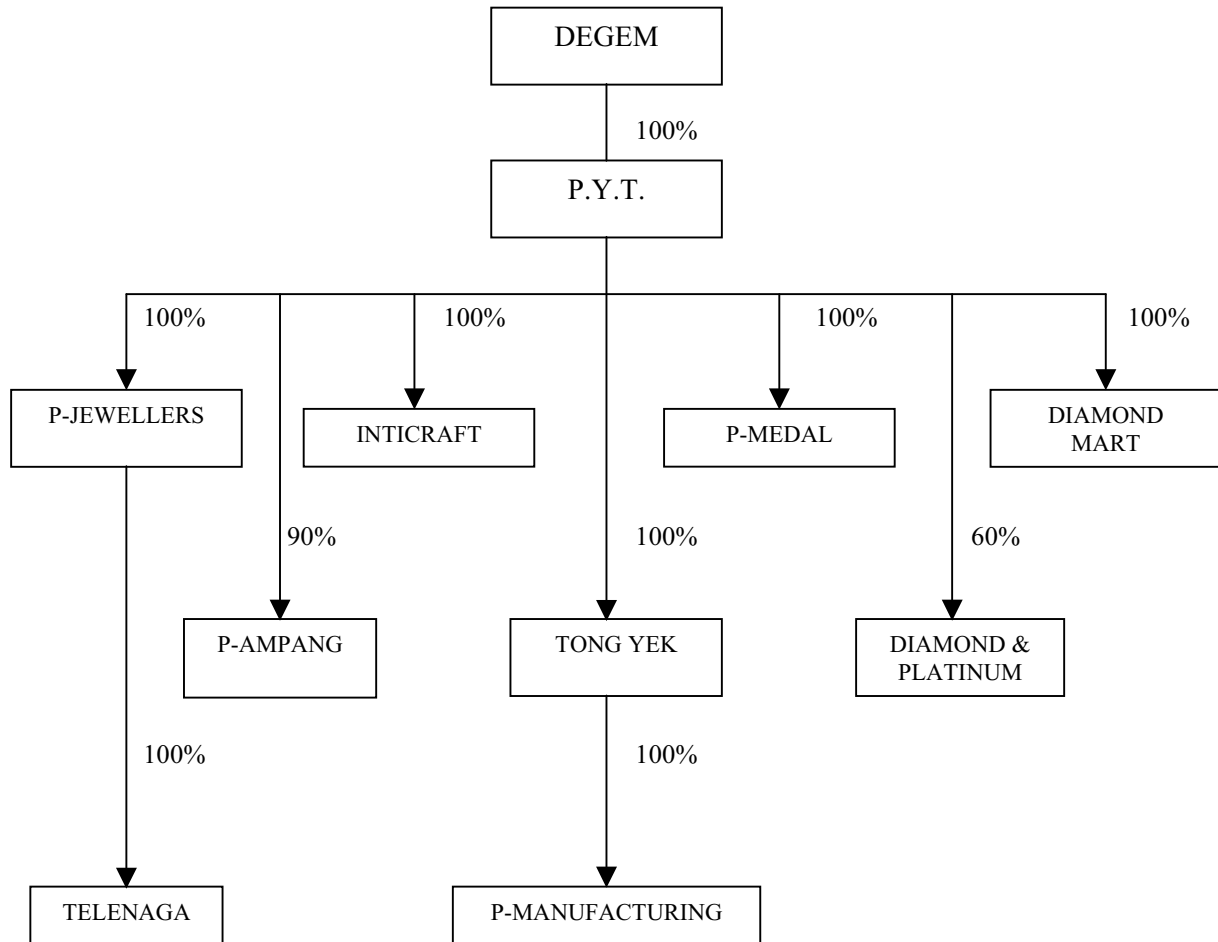
Company	Date of incorporation	Issued & paid-up share capital RM	Effective interest %	Principal activities
P.Y.T.	30.10.82	1,914,750	100.0	Investment holding and trading in gold and jewellery
P-Jewellers	14.08.91	1,000,000	100.0	Investment holding and trading in gold and jewellery
P-Ampang	13.10.99	2,000,000	90.0	Trading in gold and jewellery
Diamond & Platinum	03.09.99	1,000,000	60.0	Trading in diamonds and jewellery
Inticraft	17.11.97	500,000	100.0	Manufacturing and trading in gold and jewellery
P-Medal	08.11.85	445,600	100.0	Trading in gold medals and badges
Tong Yek	01.03.84	540,000	100.0	Investment holding
Diamond Mart	17.03.97	1,000,000	100.0	Property investment
Telenaga	30.12.96	1,000,000	100.0	Property investment
P-Manufacturing	24.07.91	50,000	100.0	Inactive

Detailed information on the history and activity of the Degem Group is further set out in Section 8 of this Prospectus.

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2. INFORMATION SUMMARY *(cont'd)*

As at the date of this Prospectus, the Degem Group's structure is illustrated as follows:-



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2. INFORMATION SUMMARY (cont'd)

2.2 Promoters, Directors, Major Shareholders and Key Management

Details of promoters, directors, major shareholders and key management of Degem Group are as follows:

2.2.1 Promoters

Name	Designation	No. of Degem Shares held after the IPO			
		Direct		Indirect	
		No.	%	No.	%
Legion**	Not applicable	23,100,001	55.0	-	-
Hasan bin M. Taib	Chairman	6,999,999	16.7	-	-
Chong Kai Sun @ Choong Kai Sun	Managing Director	-	-	#23,110,001	55.0
Choong Kai Soon	Executive Director	-	-	*23,100,001	55.0
Choong Kai Fatt	Executive Director	-	-	*23,100,001	55.0
Choong Khoi Onn	Executive Director	-	-	*23,100,001	55.0
Koh Eng Yeah	Executive Director	-	-	-	-

Notes:

* Deemed interested by virtue of his direct shareholding and his mother's and siblings' shareholdings in Legion.

** The principal activity of Legion is investment holding and its directors and substantial shareholders are listed in Section 6.9 of this Prospectus.

Deemed interested by virtue of his direct shareholding and his mother's and siblings' shareholdings in Legion and his spouse's shareholding based on her entitlement pursuant to the allocation of Public Issue Shares to eligible employees of Degem Group.

2.2.2 Directors

Name	Designation	No. of Degem Shares held after the IPO			
		Direct		Indirect	
		No.	%	No.	%
Hasan bin M. Taib	Chairman	6,999,999	16.7	-	-
Tunku Mohd Patani bin Tunku Nong Jiwa	Executive Director	1,365,086	3.3	-	-
Chong Kai Sun @ Choong Kai Sun^	Managing Director	-	-	#23,110,001	55.0
Choong Kai Soon^	Executive Director	-	-	*23,100,001	55.0
Choong Kai Fatt^	Executive Director	-	-	*23,100,001	55.0
Choong Khoi Onn^	Executive Director	-	-	*23,100,001	55.0
Koh Eng Yeah^	Executive Director	-	-	-	-
Leou Thiam Lai	Independent Non- Executive Director	-	-	-	-
Ahmad bin Habib	Independent Non- Executive Director	-	-	-	-
Chuah Teong Aung	Independent Non- Executive Director	-	-	-	-

2. INFORMATION SUMMARY (cont'd)

Notes:

- * Deemed interested by virtue of his direct shareholding and his mother's and siblings' shareholdings in Legion.
- # Deemed interested by virtue of his direct shareholding and his mother's and siblings' shareholdings in Legion and his spouse's shareholding based on her entitlement pursuant to the allocation of Public Issue Shares to eligible employees of Degem Group.
- ^ They are also the existing directors and substantial shareholders of Legion.

2.2.3 Major Shareholders

Name	Designation	No. of Degem Shares held after the IPO			
		Direct		Indirect	
		No.	%	No.	%
Legion	Not applicable	23,100,001	55.0	-	-
Hasan bin M. Taib	Chairman	6,999,999	16.7	-	-
Chong Kai Sun @ Choong Kai Sun	Managing Director	-	-	#23,110,001	55.0
Choong Kai Soon	Executive Director	-	-	*23,100,001	55.0
Choong Kai Fatt	Executive Director	-	-	*23,100,001	55.0
Choong Khoi Onn	Executive Director	-	-	*23,100,001	55.0
Choong Kay Cheong	Director of Diamond & Platinum	-	-	**23,100,001	55.0
Choong Sin Cheong	Director of Diamond & Platinum	-	-	**23,100,001	55.0
Lai Moi Foong	Senior Sales Manager	^^10,000	0.02	^23,100,001	55.0
Liew Chin Fong	-	-	-	~23,100,001	55.0

Notes:

- # Deemed interested by virtue of his direct shareholding and his mother's and siblings' shareholdings in Legion and his spouse's shareholding based on her entitlement pursuant to the allocation of Public Issue Shares to eligible employees of Degem Group.
- * Deemed interested by virtue of his direct shareholding and his mother's and siblings' shareholdings in Legion.
- ** Deemed interested by virtue of his mother's and siblings' shareholdings in Legion.
- ^ Deemed interested by virtue of her husband's shareholding in Legion.
- ^^ Based on her entitlement pursuant to the allocation of Public Issue Shares to eligible employees of Degem Group.
- ~ Deemed interested by virtue of her direct shareholding and the shareholding of her children in Legion.

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2. INFORMATION SUMMARY (cont'd)

Changes in Major Shareholders/Promoters and Their Shareholdings for the Past Three (3) Years

Date	Major Shareholders	Shareholding Before Change	Acquired	(Disposal)	Shareholding After Change
15.05.1997	Hazlina bt. Harun	-	1	-	1
15.05.1997	Hashimah bt. Hashim	-	1	-	1
31.03.2001	Legion	-	24,499,999	-	24,499,999
	Hasan bin M. Taib	-	6,999,999	-	6,999,999
	Tunku Mohd Patani bin Tunku Nong Jiwa	-	1,365,086	-	1,365,086
	Hanafi bin Abd Rahman @ Ahmad	-	1,085,050	-	1,085,050
	Datuk Ahmad Merican bin S.T. Merican	-	1,049,864	-	1,049,864
02.04.2001	Hazlina bt. Harun	1	-	1	0
	Hashimah bt. Hashim	1	-	1	0
	Legion	24,499,999	2	-	24,500,001

2.2.4 Key Management Team

Name	Designation	No. of Degem Shares held after the IPO			
		Direct No.	%	Indirect No.	%
Choong Kay Cheong	Director of Diamond & Platinum	-	-	^23,100,001	55.0
Choong Sin Cheong	Director of Diamond & Platinum	-	-	^23,100,001	55.0
Saw Fook Fah	Director of P-Ampang	#10,000	0.02	-	-
Kong Choon Hong @ Kang Choon Hong	Senior Sales Manager	#10,000	0.02	-	-
Lai Moi Foong	Senior Sales Manager	#10,000	0.02	*23,100,001	55.0
Yeoh Pek Huang	Finance Manager	#10,000	0.02	-	-
Wong Wai Yoon	Sales Manager	#10,000	0.02	-	-
Ng Ai Lian	Human Resource Manager	#10,000	0.02	-	-
Chong Kian Fah	Accountant	#10,000	0.02	-	-
Koh Yoke Leng	Senior Designer	#10,000	0.02	-	-
Lee Wai Ming	Senior Designer	#10,000	0.02	-	-

Notes:

^ Deemed interested by virtue of his mother's and siblings' shareholdings in Legion.

Based on their respective entitlement pursuant to the allocation of Public Issue Shares to eligible employees of Degem Group.

* Deemed interested by virtue of her husband's shareholding in Legion.

Further information of the promoters, directors, major shareholders and key management personnel of Degem is set out in Section 8.6 of this Prospectus.

2. INFORMATION SUMMARY (cont'd)

2.3 Financial Highlights

The following, as extracted from the Accountants' Report set out in Section 15 of this Prospectus, is a summary of the proforma consolidated financial results of Degem for the past five (5) financial years ended 31 December 2000 and three (3) months period ended 31 March 2001, prepared based on the assumption that the current structure of the Group had been in existence throughout the period under review.

	←-----Years Ended 31 December -----→					3 months period ended 31 March 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	75,828	91,060	53,957	66,444	88,039	18,069
Profit before depreciation, interest and taxation	11,726	11,110	7,296	11,590	14,535	3,635
Depreciation	(545)	(1,078)	(1,008)	(1,684)	(1,369)	(330)
Interest	(372)	(645)	(1,077)	(845)	(913)	(251)
Profit before taxation	10,809	9,387	5,211	9,061	12,253	3,054
Taxation	(3,864)	(3,238)	(1,184)	(12)	(2,724)	(684)
Profit after taxation	6,945	6,149	4,027	9,049	9,529	2,370
MI	-	-	-	(131)	(837)	(138)
Profit after taxation and MI	6,945	6,149	4,027	8,918	8,692	2,232
No. of ordinary shares in issue ('000)	35,000	35,000	35,000	35,000	35,000	35,000
Gross EPS (sen)	30.88	26.82	14.89	25.50	31.75	32.62*
Net EPS (sen)	19.84	17.57	11.51	25.48	24.83	25.51*
Diluted Gross EPS (sen)	25.74	22.35	12.41	21.25	26.46	27.18*
Diluted Net EPS (sen)	16.54	14.64	9.59	21.23	20.70	21.26*
Gross dividend (%)	10.0	10.0	10.0	10.0	10.0	-

* Annualised

Notes:

The proforma consolidated results are presented for illustration purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 15 of this Prospectus.

- (1) *The first income statement of Degem was presented for the financial year ended 31 December 2000 and represents preliminary and pre-operating expenses written-off.*
- (2) *The Acquisition which was completed on 31 March 2001 is consolidated throughout the relevant periods under review using the merger method in accordance with Malaysia Accounting Standard 2.*

2. INFORMATION SUMMARY (cont'd)

Notes:

- (3) *The financial results of Inticraft, Diamond & Platinum and Telenaga are included in the above proforma income statements only in the financial years ended 31 December 1999 and 2000 as these companies have not commenced business operations prior to the financial year ended 31 December 1999. Therefore, there are no results of these companies included in the proforma income statements of the Group prior to 31 December 1999.*
- (4) *As P-Ampang was only incorporated on 13 October 1999, the financial results included in year 2000 is based on the first audited financial statements for the period since incorporation to 31 December 2000.*
- (5) *Diamond Mart has not commenced operations as at 31 March 2001. Notwithstanding the above, Diamond Mart has presented its first income statement for the financial period 31 December 2000 which represents preliminary and pre-operating expenses written off.*
- (6) *The high effective tax rate of the Group for the years 1996 and 1997 is attributed to the non-deductibility of certain expenses for tax purposes.*
- The low effective tax rate for the year 1998 is principally attributed to the eligibility of certain expenses for tax deduction.*
- No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999. The taxation charge in year 1999 relates to under provision of tax in prior year.*
- The low effective tax rate for the financial year ended 31 December 2000 and the period ended 31 March 2001 is principally attributed to tax exempt profits of Inticraft, a subsidiary granted Pioneer Status.*
- (7) *There were no extraordinary items in the relevant periods under review.*
- (8) *The gross EPS of the Group is calculated based on the profit before taxation but after minority interest and on the enlarged share capital of 35,000,000 ordinary shares of RM1 each, after the Acquisition but before the Public Issue.*
- (9) *The net EPS of the Group is calculated based on the profit after taxation and minority interest and on the enlarged share capital of 35,000,000 ordinary shares of RM1 each, after the Acquisition but before the Public Issue.*
- (10) *The diluted gross EPS of the Group is calculated based on the profit before taxation but after minority interest over the number of enlarged share capital of 42,000,000 ordinary shares of RM1 each after the Public Issue.*
- (11) *The diluted net EPS of the Group is calculated based on the profit after taxation and minority interest over the number of enlarged share capital of 42,000,000 ordinary shares of RM1 each after the Public Issue.*

Please refer to Section 14.1 for a summarised explanation on the Degem Group's financial performance throughout the financial period under review.

2. INFORMATION SUMMARY *(cont'd)*

2.4 Proforma Consolidated Balance Sheets of Degem

The proforma consolidated balance sheets set out below are extracted from the proforma consolidated balance sheet as at 31 March 2001 as disclosed in Section 14.9. The proforma consolidated balance sheet are provided for illustrative purposes only to show the effects on the audited balance sheet of Degem Group as at 31 March 2001 after taking into account the Acquisition, Offer for Sale and Public Issue, had these proposals been effected on that date.

	Audited as at 31 March 2001 RM'000	Proforma Group After Public Issue RM'000
FIXED ASSETS	15,160	15,460
CURRENT ASSETS		
Stocks	72,914	72,914
Trade debtors	1,647	1,647
Other debtors, deposits and prepayments	2,150	2,150
Deposits with licensed banks	-	-
Cash and bank balances	1,328	8,570
	<u>78,039</u>	<u>85,281</u>
CURRENT LIABILITIES		
Trade creditors	18,945	18,945
Other creditors and accruals	6,681	6,681
Hire purchase creditors	286	286
Amount due to directors	527	527
Bank borrowings	9,917	9,917
Taxation	2,013	2,013
Amount due to holding company	94	94
	<u>38,463</u>	<u>38,463</u>
NET CURRENT ASSETS	39,576	46,818
DEFERRED EXPENDITURE	629	-
	<u>55,365</u>	<u>62,278</u>
SHARE CAPITAL	35,000	42,000
RESERVES	14,911	17,411
SHAREHOLDERS' FUNDS	<u>49,911</u>	<u>59,411</u>
MINORITY INTEREST	1,705	1,705
DEFERRED AND LONG TERM LIABILITIES	3,749	1,162
	<u>55,365</u>	<u>62,278</u>
NTA per share (RM)	1.41	1.41

2. INFORMATION SUMMARY *(cont'd)*

2.5 Audit Qualifications in the Audited Accounts for the Past Five (5) Financial Years

Ernst & Young have been appointed as auditors of the Company since its incorporation on 3 January 1997. Except for Telenaga and Diamond Mart, Ernst & Young have acted as auditors of the subsidiary companies of Degem for the relevant years under review and have reported on the financial statements of these subsidiary companies without qualification and their Auditors' Reports did not include any emphasis of matter.

The financial statements for Telenaga and Diamond Mart since the date of incorporation were audited by other firms of public accountants and were reported on without qualification. In addition, the Auditors' Reports did not include any emphasis of matter.

In the relevant financial years under review, the financial accounting date of the subsidiary companies is coterminous with the Company, namely 31 December except for Diamond Mart whereby its financial accounting date is 31 March.

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2. INFORMATION SUMMARY (cont'd)

2.6 Principal Statistics Relating to the IPO

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

2.6.1 Share Capital

	RM
<i>Authorised:</i>	
50,000,000 ordinary shares of RM1.00 each	50,000,000
<i>Issued and paid-up as at the date of this Prospectus:</i>	35,000,000
35,000,000 ordinary shares of RM1.00 each	
<i>To be issued pursuant to the Public Issue:</i>	7,000,000
7,000,000 ordinary shares of RM1.00 each	
<i>Enlarged share capital</i>	42,000,000
<i>To be offered pursuant to the Offer for Sale:</i>	
1,400,000 ordinary shares of RM1.00 each	1,400,000
<i>Issue/Offer price per ordinary share of RM1.00 each</i>	1.60

2.6.2 Class of Shares

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Further information on the share capital of Degem is set out in Section 5 of this Prospectus.

2.6.3 Proforma Consolidated NTA

Proforma consolidated NTA as at 31 March 2001 (RM'000) <i>(after incorporating the Public Issue and estimated listing expenses of RM1,700,000)</i>	59,411
Proforma consolidated NTA per share (RM) <i>(based on the enlarged share capital of 42,000,000 ordinary shares of RM1.00 each)</i>	1.41

2. INFORMATION SUMMARY *(cont'd)*

2.6.4 Consolidated Profit Forecast for the Year Ending 31 December 2001

Consolidated profit before taxation but after minority interest (RM'000)	15,734
Consolidated profit after taxation and after minority interest (RM'000)	10,999
Gross EPS ^ (sen)	37.5
Net EPS ^ (sen)	26.2
Gross PE Multiple based on offer/issue price of RM1.60 per ordinary share (times)	4.27
Net PE Multiple based on offer/issue price of RM1.60 per ordinary share (times)	6.11

^ Based on the enlarged issued and paid-up share capital of 42,000,000 ordinary shares of RM1.00 each.

Further bases and assumptions on the consolidated profit forecast for the financial year ending 31 December 2001 are set out in Section 14.5 of this Prospectus.

2.6.5 Dividend Forecast for the Year Ending 31 December 2001

Gross dividend per share (sen)	5.00
Net dividend per share (sen)	3.60
Gross dividend yield (%)*	3.13
Net dividend yield (%)*	2.25
Net dividend cover (times)	7.27

* Based on the offer/issue price of RM1.60 per ordinary share.

Details of the dividend forecast are set out in Section 14.8 of this Prospectus.

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2. INFORMATION SUMMARY *(cont'd)*

2.7 Summary of Risk Factors

Applicants for the IPO Shares should carefully consider the following risk factors summarised from Section 3 herein (which may not be exhaustive), in addition to the other information contained elsewhere in this Prospectus, before applying to subscribe for the IPO Shares:-

- (i) Marketability of Degem Shares;
- (ii) Business risks;
- (iii) Political, economic and regulatory conditions;
- (iv) Competition;
- (v) Fluctuation in raw material prices;
- (vi) Ownership and control by the substantial shareholders;
- (vii) Dependence on key personnel;
- (viii) Dependence on supplier of “FABERGE” jewellery;
- (ix) Profit forecast;
- (x) The non-existence of long term contracts with customers and suppliers;
- (xi) Threat of substitute products;
- (xii) Seasonality;
- (xiii) Government control and regulation; and
- (xiv) Achievability of forward-looking statement.

The above risk factors are elaborated in Section 3 of this Prospectus.

In addition to the general risks associated with any investment in the stock market, there are certain additional risks inherent in investing in the IPO Shares. An investment in the IPO Shares is likely to involve risks specific to investing in entities engaged in the manufacturing and trading of jewellery business. Applicants should carefully consider the risk factors which may affect Degem and the industry in which it operates, as well as other information set forth in this Prospectus.

2.8 Utilisation of Proceeds

The Public Issue is expected to raise gross proceeds of RM11,200,000 for the Degem Group whilst none of gross proceeds of the Offer will be received by Degem as the gross proceeds of the Offer amounting to RM2,240,000 will accrue entirely to the Offeror. The summary of the utilisation of the proceeds of the Public Issue (the details of which are in Section 6.6 of this Prospectus) is as follows:-

Purposes	RM'000
Repayment of term loan	2,587
Finance purchase of machinery	300
Working capital	6,613
Estimated listing expenses	1,700
Total	11,200

Further information on the utilisation of proceeds is set out in Section 6.6 of this Prospectus.

2. INFORMATION SUMMARY *(cont'd)*

2.9 Material Litigation, Capital Commitment and Contingent Liabilities**2.9.1 Material Litigation**

As at 15 August 2001 (being the latest practicable date of which such amounts could be calculated prior to the printing of this Prospectus), neither Degem nor its subsidiary companies is engaged in any material litigation either as a plaintiff or defendant which has a material effect on the financial position of Degem or any of its subsidiaries and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiaries or any facts likely to give rise to any proceedings which might materially affect the position and business of the Company and/or its subsidiary companies.

2.9.2 Capital Commitments

As at 15 August 2001 (being the latest practicable date of which such amounts could be calculated prior to the printing of this Prospectus), there are no other material commitments for capital expenditure incurred or known to be incurred by Degem Group which may have a substantial impact on the results of the financial position of the Group.

2.9.3 Contingent Liabilities

As at 15 August 2001 (being the latest practicable date prior to the printing of this Prospectus), there are no material contingent liabilities incurred by the Company or its subsidiary companies.

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3. RISK FACTORS

Notwithstanding the prospects of the Group as outlined in this Prospectus, applicants for the IPO Shares should carefully consider and evaluate the following investment risks (which may not be exhaustive), which may have a significant impact on the future performance of the Group in addition to other information contained in other sections of this Prospectus, before making an application.

(a) Marketability of Degem Shares

Prior to the IPO, there has been no public market for Degem Shares. There can be no assurance that an active market for Degem Shares will develop upon listing on the Second Board of the KLSE or, if developed, that such market will be sustained.

The offer/issue price for the IPO Shares was determined after taking into consideration a number of factors including, but not limited to, the Group's financial and operating history and condition, the prospects of the Group and prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in businesses similar to that of the Group and the prevailing market conditions at the time the application for the listing of the Company was submitted to the SC.

There can be no assurance that the offer/issue price will correspond to the price at which Degem Shares will trade on the KLSE Second Board upon or subsequent to its listing or that an active market for Degem Shares will develop and continue upon or subsequent to its listing.

(b) Business Risks

The growth of the jewellery industry is highly dependent on the disposable income of the Malaysian consumers. Should there be a downturn in the Malaysian economy coupled with rising inflation, consumers will generally be more inclined to spend on basic necessities. Notwithstanding the above, the Group currently offers a broad range of jewellery to cater to consumers in all income brackets.

(c) Political, Economic and Regulatory Conditions

Adverse developments in political, economic and regulatory conditions in Malaysia and other countries where the Group is currently marketing its products could materially and adversely affect the financial prospects of the Group. Other political and economic uncertainties include (but are not limited to) risks of war, expropriation, nationalisation, global economic downturn, unfavourable changes in government policy, renegotiation or nullification of existing contracts, and currency exchange controls.

(d) Competition

The Directors and promoters of the Degem Group are of the view that the Group is currently among the leaders in the jewellery industry in Malaysia. However, there is no certainty that it will always be able to maintain its existing market share in the future. The Group operates in a highly competitive market. However, the Group has a cost advantage over other players because of its involvement in the manufacture of jewellery as compared to players that concentrate only on retail. Further, the Group offers a broad range of jewellery backed by high quality and service.

(e) Fluctuation in Raw Material Prices

The Group is exposed to the risk of fluctuation in prices of raw materials such as gold, diamonds and other precious stones. However, the management of the Group has extensive experience in purchasing raw materials and is well versed with the market trends of the raw materials.

3. RISK FACTORS *(cont'd)*

(f) Ownership and Control by the Substantial Shareholders

Upon completion of the IPO, the controlling shareholder of Degem is Legion which controls approximately 55.0% of the shareholding of Degem (please refer to Section 2.2 of this Prospectus). As such, Legion will be able to control the outcome of certain matters requiring the votes of the Company's shareholders unless it is required to abstain from voting and deliberating by law and/or the relevant authorities.

Degem has segregated the functions of the Board and management level to be interdependent to manage the business and as a check and balance basis. The controlling shareholder namely Legion is interdependent in the major business decision-making process rather than mutually exclusive by virtue of its shareholdings. All these processes and procedures are in place to ensure business decisions and outcome are made on rational, objective and independent basis and not through undue influence.

(g) Dependence on Key Personnel

The Group believes that its continued success will depend to a significant extent upon the abilities, dedication and continued efforts of its existing Directors and management, in particular the craftsmen of the Company whose departure could adversely affect the Group's continued ability to compete in the industries which the Company operates in. However, effort is presently being made to groom the younger members of the management to gradually succeed the senior members to ensure a smooth transition in the management team should changes occur. The Group's future success will also depend upon its ability to attract and retain skilled personnel (eg. craftsmen).

(h) Dependence on Supplier of "FABERGE" Jewellery

Currently, Degem is the only supplier and sole agent for "FABERGE" jewellery in Malaysia. Its continuous supply of "FABERGE" jewellery is dependent on Victor Mayer GmbH & Co. which is the only licensee world-wide authorised by Faberge Co., New York to manufacture jewellery under "FABERGE". For the financial year ended 2000, "FABERGE" jewellery contributed 0.32% to the total Group turnover. Hence, the percentage contribution of "FABERGE" jewellery to the total Group turnover is relatively small.

Degem has entered into an agency agreement with Victor Mayer GmbH & Co. on the basis of a long term business agreement to promote and sell "FABERGE" jewellery in Malaysia. Degem has a cordial relationship with Victor Mayer GmbH & Co. and the Group does not foresee any problems in obtaining any supplies from them in the future.

(i) Profit Forecast

This Prospectus contains the profit forecast for the Group that are based on assumptions that are subject to uncertainties and contingencies. The Directors have considered the assumptions used in the preparation of the forecast to be reasonable. Because of the subjective judgements and inherent uncertainties of forecast and because events and circumstances may not occur as expected, there can be no assurance that the forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the description of the assumptions and uncertainties underlying the forecast that are contained herein.

3. RISK FACTORS *(cont'd)*

(j) The Non-Existence of Long Term Customers and Suppliers***Customers***

Degem does not have any long-term contracts with its customers as it is in the retail business. All of its customers are from the general public and with occasional orders from corporations and government. As the Group depends on the general public for the majority of its sales, the Group intends to increase its number of outlets.

Suppliers

The Group does not enter into contracts with its suppliers as there are many suppliers in the market. Gold is sourced from major local banks while diamonds and other precious stones are sourced from suppliers located mainly in the USA, Thailand and Belgium. Contracts may restrict the Group from obtaining diamonds and other precious stones from other suppliers should they offer better quality diamonds at lower prices.

Although no contracts are entered into between the Group and its suppliers, the numerous suppliers in the market ensure that the Group is able to obtain its supplies whenever required. Moreover, Degem has a long term relationship with most of its suppliers which it has built over the years, which is based on mutual trust and support. Delivery normally takes up to three (3) days when an order for diamonds is made. The fact that the Group has a good working relationship with its regular suppliers ensures a constant and reliable supply of diamonds at all times.

(k) Threat of Substitute Products

The major threat of substitute products to the jewellery industry is the costume jewellery market. Most of the costume jewellery are plated in gold or silver and are not made of real gold, diamonds and precious stones and hence, not backed by certificates. As such, the usable life of costume jewellery is limited and tends to deteriorate in quality after a few uses unlike genuine jewellery which have investment value.

As disposable income increases, there is a human tendency to desire genuine jewellery instead of “fakes” or cheaper substitutes. Thus, Degem is of the view that costume jewellery does not and will not pose any serious threats to the jewellery industry.

(l) Seasonality

Sales are generally higher during the festive seasons like Hari Raya, Chinese New Year, Christmas and Valentine’s Day which are from December to February. Sales are also higher during certain months which are considered auspicious by Malaysians for weddings.

In order to reduce the effect of seasonality on the sales of its products, Degem holds promotions and sales approximately two (2) to three (3) times a year to boost its sales during non-festive periods.

(m) Government Control and Regulation

As at the date of this Prospectus, apart from the normal business laws and regulations pertaining to companies under the Companies Act, 1965 and the Trade Descriptions (Articles made of Precious Metals) Regulation 1994, there are no other specific governing laws and regulations which are applicable to the Group.

3. RISK FACTORS *(cont'd)*

However, Inticraft has obtained a pioneer status certificate from MITI on 27 September 2000 which will expire on 31 December 2004. Under the pioneer status, the Company is able to enjoy low effective tax rates on its earnings.

(n) Achievability of Forward-Looking Statement

This Prospectus includes forward-looking statements i.e. those other than statements of historical facts. Although the Group believes that the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will materialise. Any deviation of its actual performance from the expectations may have an adverse effect on the Group's financial and business performance.

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4. INTRODUCTION

This Prospectus is dated 27 August 2001

A copy of this Prospectus has been registered with the SC and lodged by the ROC, Malaysia and neither SC nor ROC takes any responsibility for its contents.

Approval has been obtained from the SC in respect of the flotation of Degem on the Second Board of KLSE on 30 January 2001. The approval of the SC shall not be taken to indicate that the SC recommends the IPO and/or the flotation of Degem on KLSE. Investors should rely on their own evaluation to assess the merits and risks of any investments in the Company.

An application will be made to the KLSE within three (3) market days from the date of this prospectus for admission to the Official List of the Second Board of the KLSE and for permission to deal in and quotation for the entire issued and fully paid-up ordinary shares of RM1.00 each in Degem including the IPO Shares which are the subject of this Prospectus on the Second Board of the KLSE. These ordinary shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, the KLSE has prescribed Degem as a prescribed security. In consequence thereof, the shares offered through this Prospectus will be deposited directly with MCD and any dealings in these Degem Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant should state his CDS account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code. Where an applicant already has a CDS account, he should not complete the preferred ADA Code. In the case of electronic applications at ATMs, only an applicant with a CDS account is eligible to utilise such a facility.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Degem. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, and at any time constitute a representation or create any implication that there has been no change in the affairs of Degem or the Group since the date hereof.

The distribution of this Prospectus and the making of the IPO Shares are subject to Malaysian laws and the Company and its Adviser take no responsibility for the distribution of this Prospectus and the sale of the IPO Shares outside Malaysia. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Offer for Sale/Public Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restriction.

The SC and KLSE assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Second Board of KLSE is not to be taken as an indication of the merits of Degem or of its ordinary shares.

If you are in doubt of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

5. SHARE CAPITAL

<i>Authorised</i>	RM
50,000,000 ordinary shares of RM1.00 each	50,000,000
<i>Issued and paid-up:</i>	
35,000,000 ordinary shares of RM1.00 each	35,000,000
<i>To be issued pursuant to the Public Issue:</i>	
7,000,000 new ordinary shares of RM1.00 each	7,000,000
Enlarged issued and paid-up share capital	<u>42,000,000</u>
<i>Offer for Sale pursuant to this Prospectus:</i>	
1,400,000 ordinary shares of RM1.00 each	1,400,000

The IPO price of RM1.60 for each IPO Share is payable in full on application.

There is only one class of shares in the Company, being ordinary shares of RM1.00 each. The IPO Shares will rank pari passu in all respects with one another and the other existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall, in proportion to the amount paid on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

Each ordinary shareholder of the Company shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show by hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

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6. PARTICULARS OF THE IPO

6.1 Details of the IPO

The IPO is an invitation by the Company and the Offeror to Bumiputra investors approved by MITI, eligible employees of the Group and the Malaysian public, to apply for the 1,400,000 Offer Shares and 7,000,000 Public Issue Shares at an IPO price of RM1.60 per share payable in full.

The IPO Shares are subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares shall be allocated in the following manner:-

(a) Bumiputra Investors Approved by MITI

2,100,000 Shares (of which 1,400,000 will be Offer Shares and 700,000 will be Public Issue Shares) will be made available to the following Bumiputra investors approved by MITI:-

Name	No. of Degem Shares	%
Hanafi bin Abd Rahman @ Ahmad	1,010,000	2.40
Datuk Ahmad Merican bin S. T. Merican	1,045,000	2.49
Sabihah binti Talib @ Mohd Talib	45,000	0.11

(b) Eligible Employees

2,100,000 Public Issue Shares have been reserved for all eligible employees of the Group.

(c) Malaysian Investing Public

4,200,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, co-operatives, societies and institutions.

The IPO Shares represent 20.0% of the enlarged issued and paid-up share capital of Degem of RM42,000,000 comprising 42,000,000 ordinary shares of RM1.00 each.

The Public Issue Shares made available to the Malaysian public as in paragraphs (b) and (c) above have been fully underwritten by the Joint Managing Underwriters and Underwriter as set out in Section 1 of this Prospectus. The IPO Shares referred to in paragraph (a) above will not be underwritten. In the event that any of the Shares under paragraph (b) above is not taken up by the eligible employees of the Group, such number of unsubscribed shares will be made available for application by the Malaysian public.

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6. PARTICULARS OF THE IPO (cont'd)

6.2 Opening and Closing of Application Lists

The Application Lists for the IPO will open at 10:00 a.m. on 10 September 2001 and will remain open until 8:00 p.m. on the same day or for such further period or periods as the Directors of Degem and Offeror in their absolute discretion may decide.

6.3 Important Dates

The following events are intended to take place on the following dates:-

Date	Dates
Opening of the IPO	: 27 August 2001
Closing of the IPO	: 10 September 2001
Tentative balloting of applications for the IPO Shares	: Mid September 2001
Tentative allotment of Degem Shares to successful applicants of the IPO Shares	: Early October 2001
Tentative listing	: Mid October 2001

6.4 Basis of Arriving at the IPO Price

The IPO price of RM1.60 per Degem ordinary share has been determined and arrived at after taking into consideration, inter-alia, the following factors:-

- (i) The forecast net PE Multiple of 6.11 times based on the forecast net EPS of 26.2 sen computed using the enlarged issued share capital of 42,000,000 ordinary shares of RM1.00 each;
- (ii) The proforma consolidated NTA per share of the Degem Group is RM1.41 as at 31 March 2001;
- (iii) The forecast gross dividend yield of 3.13% based on the forecast dividend of RM0.05 per share for the financial year ending 31 December 2001; and
- (iv) The prospects and future plans of the Group as set out in Section 10 of this Prospectus.

Premised on the foregoing, the Company, Offeror and Affin Merchant have determined and agreed for the offer/issue price to be fixed at RM1.60 per ordinary share. However, investors should also note that the market prices of Degem Shares upon listing on the KLSE are subject to the vagaries of market forces and other uncertainties that may affect the price of these shares.

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6. PARTICULARS OF THE IPO (cont'd)**6.5 Purposes of the IPO**

The purposes of the IPO are as follows:-

- (i) to provide an opportunity for the Malaysian investing public and institutions, eligible employees of Degem to participate in the continuing growth of the Group by way of equity participation;
- (ii) to provide the Group access to the capital market to raise funds to finance its future expansion and continued growth; and
- (iii) to obtain the listing of and quotation for the entire issued and paid-up share capital of the Group comprising 42,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE.

6.6 Proceeds of the IPO

The Offer for Sale is expected to raise gross proceeds of RM2,240,000 while the Public Issue is expected to raise gross proceeds of RM11,200,000.

The gross proceeds of the Offer for Sale of RM2,240,000 shall accrue to the Offeror and no part of the proceeds of the Offer for Sale is receivable by Degem. The Offeror shall bear all expenses such as stamp duty (if any), registration and share transfer fee relating to the Offer Shares.

All proceeds to be raised from the Public Issue will accrue to the Company. The Company shall bear all expenses relating to the Public Issue such as brokerage and underwriting commission and other expenses and fees incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of Degem on the Second Board of the KLSE estimated at RM1,700,000.

The gross proceeds of RM11,200,000 from the Public Issue will be utilised in the following manner:-

Purposes	Note	RM	Time Frame for Utilisation	
			Financial year ending 31 December	
			2001	2002
Repayment of term loan	(1)	2,586,918	October	-
Finance purchase of machinery	(2)	300,000	-	March
Working capital	(3)	6,613,082	October	-
Estimated listing expenses	(4)	1,700,000	October	-
Total		<u>11,200,000</u>		

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6. PARTICULARS OF THE IPO (cont'd)*Notes:-**(1) Repayment of term loan*

The Degem Group proposes to utilise RM2,586,918 out of the total proceeds raised from the Public Issue to repay term loans. The repayment is expected to contribute to a total interest savings of approximately RM57,070 for the financial year ending 31 December 2001. Details of the term loans are as follows:-

<i>Company</i>	<i>Bank</i>	<i>Purpose</i>	<i>Repayment terms</i>	<i>Interest rates</i>	<i>Amount utilised from proceeds of Public Issue RM</i>
<i>P-Jewellers</i>	<i>Southern</i>	<i>Financing renovation</i>	<i>36 monthly</i>	<i>1.75% +</i>	<i>123,574</i>
▪ <i>Term loan 1</i>	<i>Bank Berhad</i> <small>(formerly Ban Hin Lee Bank Berhad)</small>	<i>works on "Faberge" outlet in KLCC</i>	<i>instalments of RM6,320 each</i>	<i>BLR p.a.</i>	
▪ <i>Term loan 2</i>	<i>Southern</i> <i>Bank Berhad</i> <small>(formerly Ban Hin Lee Bank Berhad)</small>	<i>Working capital</i>	<i>Nil (overdraft)</i>	<i>1.75% + BLR p. a.</i>	<i>139,713</i>
<i>Telenaga</i>	<i>Southern</i> <i>Bank Berhad</i> <small>(formerly Ban Hin Lee Bank Berhad)</small>	<i>Part finance the purchase of 2 units of 3-storey shop-offices at No. 44 & 46, Jalan Maarof Bangsar Baru, Kuala Lumpur</i>	<i>180 monthly instalments of RM27,250 each</i>	<i>1.75% + BLR p.a.</i>	<i>2,323,631</i>
					<u><u><i>2,586,918</i></u></u>

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6. PARTICULARS OF THE IPO (cont'd)**(2) Finance purchase of machinery**

The Group proposes to utilise RM300,000 of the Public Issue proceeds to acquire the following machinery to meet the rising demand from the expansion of new outlets. The machinery proposed to be acquired are as follows:-

<i>Company</i>	<i>Description</i>	<i>Country of origin</i>	<i>Functions</i>	<i>Expected date of operation</i>	<i>Quantity</i>	<i>Amount utilised from proceeds of Public Issue RM</i>
<i>Inticraft</i>	<i>Neutec/USA J-Series induction casting machine</i>	<i>USA</i>	<i>Producing gold casts for the designed jewellery</i>	<i>March 2002</i>	<i>1</i>	<i>209,000</i>
<i>Inticraft</i>	<i>TT Sand Blaster 01336 351</i>	<i>Singapore</i>	<i>Removes minor flaws, dirt, oil and residue from the surface of the jewellery via hydro jets</i>	<i>December 2001</i>	<i>1</i>	<i>11,000</i>
<i>Inticraft</i>	<i>TT Jewelry Steam Cleaner</i>	<i>Singapore</i>	<i>Cleans jewellery by way of dry steam</i>	<i>December 2001</i>	<i>1</i>	<i>10,000</i>
<i>Inticraft</i>	<i>Jumbo vacuum machine</i>	<i>USA</i>	<i>Vacuums air out of crystalline silica casts</i>	<i>December 2001</i>	<i>1</i>	<i>10,000</i>
<i>Inticraft</i>	<i>Automated faceting and milling machine</i>	<i>Taiwan</i>	<i>Facets and mills designs on gold jewellery</i>	<i>December 2001</i>	<i>1</i>	<i>30,000</i>
<i>Inticraft</i>	<i>Elma ultrasonic cleaner</i>	<i>Germany</i>	<i>Cleans jewellery by way of ultrasonic waves</i>	<i>December 2001</i>	<i>1</i>	<i>20,000</i>
<i>Inticraft</i>	<i>Electronic balance</i>	<i>Japan</i>	<i>Measures the weight of the jewellery</i>	<i>December 2001</i>	<i>2</i>	<i>10,000</i>
						300,000

The management expects that with the acquisition of the above machinery and equipment, the production capacity of Inticraft is expected to increase. The new machine is more advanced and more automated than the existing machine, thereby producing better quality and more refined jewellery. It is expected to double the existing production capacity.

6. PARTICULARS OF THE IPO (cont'd)

Likewise, Inticraft presently owns only 1 unit of steam cleaner, ultrasonic cleaner, vacuum machine and electronic balance. In view of the expansion of the Group via the opening of more new outlets, the management is of the view that additional units are required to expedite the manufacturing process.

In line with that, the management is also proposing to acquire a sand blaster machine, which is reputed to produce high quality products and has lower operating costs. The process is currently done manually. The Group presently acquires complicated ready-made designs on gold jewellery. With the acquisition of a faceting and milling machine, the Group would have the capability to manufacture these designs internally.

With the commissioning of these new machines, the Degem Group expects that the production output will be increased accordingly.

(3) Working capital

The Degem Group intends to utilise RM6,613,082 from the Public Issue proceeds to support its existing business operations and to facilitate its continual growth. This is in view of the proposed expansion of the Group through the opening of two (2) more outlets in the year 2001.

Approximately RM4.2 million of the proceeds will be utilised principally for the repayment of the Group's bank overdraft facilities. The overdraft was previously taken by certain subsidiaries of the Group mainly for working capital purposes. The Group is expected to further utilise the overdraft facilities for the above said expansion. The Group also intends to partially utilise the Public Issue proceeds to finance the purchase of more stocks for each outlet as well as to expedite its payments to trade creditors in order to enjoy better discounts.

(4) Estimated listing expenses

The estimated listing expenses of RM1,700,000 for the proposed listing of and quotation for the enlarged issued and share capital of Degem comprising 42,000,000 ordinary shares of RM1.00 each in Degem on the Second Board of the KLSE are made up of the following:-

	RM
<i>Fees to authorities</i>	85,000
<i>Issuing house fee and other disbursement</i>	100,000
<i>Advertisement of Prospectus</i>	100,000
<i>Printing fee</i>	300,000
<i>Professional advisory fee</i>	700,000
<i>Underwriting and brokerage fees</i>	265,000
<i>Miscellaneous expenses</i>	150,000
	<u>1,700,000</u>

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares are fully underwritten.

6. PARTICULARS OF THE IPO (cont'd)

6.7 Underwriting Commission and Brokerage

Brokerage relating to the Public Issue Shares is payable by the Company, at the rate of 1.00% of the IPO price of RM1.60 per ordinary share in respect of successful applications bearing the stamp of Affin Merchant, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Joint Managing Underwriters and Underwriter set out in Section 1 of this Prospectus have agreed to underwrite the 6,300,000 Public Issue Shares which are available for application by the Malaysian public and the eligible employees of the Group at an underwriting commission of 1.5% on the IPO price of RM1.60 per ordinary share.

Further, K & N Kenanga Berhad will be entitled to a management fee of 0.25% on the portion of Public Issue Shares underwritten by the company.

6.8 Force Majeure Clause in the Underwriting Agreement

- (i) If any of the foregoing conditions set out in Article 5.1 in the Underwriting Agreement is not satisfied on or before the Closing Date, the Majority Degem Underwriters acting through Affin Merchant shall thereupon be entitled to terminate this Agreement by notice in writing delivered to the Company and in that event (except for the liability of the Company for the payment of costs and expenses as provided in Article 8.1 in the Underwriting Agreement incurred prior to or in connection with such termination), the parties hereto shall be released and discharged from their obligations hereunder provided that the Degem Underwriters may at their discretion and subject to such conditions as the Degem Underwriters may impose, waive the necessity of compliance with any of the provisions of Article 5.1 in the Underwriting Agreement.
- (ii) Notwithstanding anything to the contrary in the Underwriting Agreement contained, on the occurrence of all or any of the unforeseen circumstances stated in Article V in the Underwriting Agreement, on or before the Closing Date, the Majority Degem Underwriters acting through Affin Merchant may consult with the Company with a view to either defer, abort the Public Issue or Offer For Sale or terminate the Underwriting Agreement. The occurrences and circumstances refer to any of the following circumstances:-
 - (a) any Government requisition or other occurrences of a similar nature; whatsoever which in the opinion of Affin Merchant and/or the Degem Underwriters seriously affects or will seriously affect the business of the Company or the Group;
 - (b) any change (whether permanent or not) in the national or international monetary, financial (including stock market conditions and interest rates), industrial, political or economic conditions or exchange control or currency exchange rates;
 - (c) any breach by the Company of any of the terms and conditions of, or of any of the representations, warranties and undertakings contained in, the Underwriting Agreement;
 - (d) any change in law, regulation, directive, policy or ruling in any jurisdiction; and

6. PARTICULARS OF THE IPO *(cont'd)*

- (e) any event or series of events beyond the reasonable control of the Degem Underwriters (including without limitation acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting thereof.
- (iii) The Majority Degem Underwriters acting through Affin Merchant shall further have the right to terminate the Underwriting Agreement if the Company fails to cause the Prospectus to be issued within three (3) months from the date hereof or in the event that the application made by the Company to KLSE for the listing of and the quotation for the Underwritten Shares on the Second Board of KLSE shall not have been approved or shall have been rejected as the case may be. Upon such termination, the Company shall return such monies as may have been paid by the Degem Underwriters under the Underwriting Agreement within forty eight (48) hours of the receipt of the notice of termination against the receipt by the Company from the Central Depository of notification of the return of the Underwritten Shares to its securities accounts in respect of any Underwritten Shares as may have been issued or delivered to them under the provisions of this Agreement.

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6. PARTICULARS OF THE IPO (cont'd)**6.9 Information on the Offeror**

The details of the Offeror are as follows:-

Name	Registered Address	Number of Degen Shares offer for sale	% of enlarged share capital
Legion	Lot 4.100, Tingkat 4, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur	1,400,000	3.33

Notes:

Other relevant details of Legion are as follows:

Incorporation : Incorporated in Malaysia under the Companies Act, 1965 on 10 March 2000

Authorised share capital : RM5,000,000

Issued and paid-up share capital : RM1,340,327

Principal activities : Investment holding

The substantial shareholders and Directors and their shareholdings as at 15 August 2001 are as follows:-

Name	Direct		Indirect	
	No. of Shares held	%	No. of Shares held	%
Chong Kai Sun @ Choong Kai Sun+	406,252	30.31	*800,645	59.74
Choong Kai Soon+	299,514	22.35	*907,383	67.70
Choong Kai Fatt+	275,157	20.53	*931,740	69.52
Choong Khoi Onn+	171,823	12.82	*1,035,074	77.23
Koh Eng Yeah+	133,430	9.95	-	-
Liew Chin Fong	54,151	4.04	^1,152,746	86.01

Notes:

* Deemed interested by virtue of his mother's and siblings' shareholdings in Legion.

^ Deemed interested by virtue of the shareholding of her children in Legion.

+ They are also the existing directors of Legion.

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7. MORATORIUM ON THE SALE OF SHARES

The SC, in approving the flotation of Degem, has imposed that a moratorium on the sale of 18,900,000 ordinary shares representing 45.0% of the enlarged issued and paid-up share capital of Degem held by the substantial shareholders of Degem.

The shareholdings of the substantial shareholders after the IPO which are under moratorium as imposed by the SC are set out below:-

	Shareholding in Degem after Offer for Sale and Public Issue		Degem Shares under moratorium	
	No. of Degem Shares	% of the enlarged issued and paid-up share capital	No. of Degem Shares	% of the enlarged issued and paid-up share capital
Legion	23,100,001	55.00	14,503,977	34.53
Hasan bin M. Taib	6,999,999	16.67	4,396,023	10.47
	30,100,000	71.67	18,900,000	45.00

The moratorium means that the above shareholders are not allowed to sell, transfer or assign the shares under the moratorium within one (1) year from the date of admission of Degem to the Official List of the Second Board of the KLSE. Thereafter, the substantial shareholders as stated above are permitted to divest or transfer in every subsequent year up to a maximum of one-third (1/3) per annum (on a straight line basis) of their respective shareholdings in the Company which are under moratorium.

The restriction, which is fully accepted by the aforesaid shareholders, is specifically endorsed on the share certificates representing the respective shareholdings of the aforesaid shareholders which are under moratorium ("Moratorium Securities") to ensure that Degem's registrars do not register any transfer not in compliance with the restriction imposed by the SC.

The endorsement which will be affixed in the certificates of the Moratorium Securities is as follows:-

"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("the Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace the certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

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