
15. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



■ **Public Accountants**
4th Floor, Kompleks Antarabangsa,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia.

■ Phone : (03) 2144-2333
Fax : (03) 2141-0676
(03) 2144-5619
www.ey.com

Mail Address:
P.O. Box 10068
50704 Kuala Lumpur, Malaysia.

21 August 2001

The Board of Directors
Degem Berhad
No 45, 1st Floor, Jalan SS2/55
47300 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus to be dated 27 August 2001 in connection with a Public Issue of 7,000,000 new ordinary shares of RM1 each and an Offer for Sale of 1,400,000 ordinary shares of RM1 each at an issue/offer price of RM1.60 per ordinary share in Degem Berhad (hereinafter referred to as “Degem” or “the Company”) and the listing and quotation of the entire issued and paid-up share capital of Degem on the Second Board of the Kuala Lumpur Stock Exchange.

2.0 GENERAL INFORMATION

2.1 The Company

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

The authorised and issued and paid-up capital is RM50,000,000 and RM35,000,000 comprising 50,000,000 and 35,000,000 ordinary shares of RM1 each respectively.

The principal activity of the Company is investment holding.

15. ACCOUNTANTS' REPORT *(cont'd)*

2.2 Flotation Scheme

(i) Acquisition

Degem acquired 100% of the equity interest in PYT Jewel & Time Sdn Bhd together with its subsidiary companies for a total purchase consideration of RM39,065,304 satisfied by the issue of 34,999,998 new ordinary shares of RM1 each at an approximate issue price of RM1.12 per ordinary share in Degem.

The Acquisition was completed on 31 March 2001.

(ii) Public Issue

Degem will make a Public Issue for cash of 7,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share for total cash proceeds of RM11,200,000.

On completion of the Acquisition and Public Issue, the Group comprise Degem as holding company and PYT Jewel & Time Sdn Bhd (together with its subsidiary companies) is a wholly owned subsidiary of Degem.

On completion of the Acquisition and Public Issue, the issued and fully paid-up share capital of Degem will increase from 2 ordinary shares of RM1 each to 42,000,000 ordinary shares of RM1 each analysed as follows:-

Issued and fully paid-up share capital	RM
Prior to implementation of Flotation Scheme	2
Acquisition	34,999,998
As at 31 March 2001	<u>35,000,000</u>
Public Issue	7,000,000
On completion of Flotation Scheme	<u>42,000,000</u>

15. ACCOUNTANTS' REPORT (*cont'd*)



2.3 The Companies Acquired As Subsidiary Companies of Degem Pursuant To The Flotation Scheme

Information on the subsidiary companies acquired by Degem pursuant to the Flotation Scheme, all of which are private limited companies incorporated in Malaysia, is as follows:-

2.3.1 P. Y. T. Jewel & Time Sdn Bhd (“P.Y.T.”)

P.Y.T. was incorporated in Malaysia on 30 October 1982 as a private limited company under the name of Thye Loong Goldsmiths & Jewellers Sdn Bhd. On 16 November 1984 and 8 December 1993, the company changed its name to Poh Yik Thye Jewellers Sdn Bhd and P. Y. T. Jewel & Time Sdn Bhd respectively. The authorised and issued and paid-up share capital is RM2,000,000 and RM1,914,750 comprising 2,000,000 and 1,914,750 ordinary shares of RM1 each respectively.

The principal activities of P.Y.T. are investment holding and trading in gold and jewellery.

2.3.2 P. Y. T. Jewellers Sdn Bhd (“P-Jewellers”)

P-Jewellers was incorporated on 14 August 1991 as a private limited company under the name of P. Y. T. Jewellers Sdn Bhd. The authorised and issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each respectively.

The principal activities of P-Jewellers are investment holding and trading in gold and jewellery.

P-Jewellers is a direct subsidiary of P.Y.T. (100%).

2.3.3 Tong Yek Jewellers Sdn Bhd (“Tong Yek”)

Tong Yek was incorporated on 1 March 1984. The authorised and issued and paid-up share capital is RM1,000,000 and RM540,000 comprising 1,000,000 and 540,000 ordinary shares of RM1 each respectively.

The principal activity of Tong Yek is investment holding. On 1 January 2000, Tong Yek transferred its manufacturing and trading operations to Inticraft Sdn Bhd (“Inticraft”), a wholly owned subsidiary of P.Y.T. pursuant to a rationalisation exercise by the Group in order to achieve a higher degree of production cost efficiency.

Tong Yek is a direct subsidiary of P.Y.T. (100%).

15. ACCOUNTANTS' REPORT *(cont'd)***2.3.4 P. Y. Medal Mfg (M) Sdn Bhd ("P-Medal")**

P-Medal was incorporated on 8 November 1985 as a private limited company under the name of Poh Yik Thye Jewellers (K.L.) Sdn Bhd. On 20 December 1989, the company changed its name to P.Y. Medal Mfg (M) Sdn Bhd. The authorised and issued and paid-up share capital is RM1,000,000 and RM445,600 comprising 1,000,000 and 445,600 ordinary shares of RM1 each respectively.

The principal activity of P-Medal is trading in gold medals and badges. On 1 July 1999, P-Medal transferred its manufacturing operations to Inticraft Sdn Bhd ("Inticraft"), a wholly owned subsidiary of P.Y.T. pursuant to a rationalisation exercise by the Group in order to achieve a higher degree of production cost efficiency.

P-Medal is a direct subsidiary of P.Y.T. (100%).

2.3.5 P. Y. T. Manufacturing Sdn Bhd ("P-Manufacturing")

P-Manufacturing was incorporated on 24 July 1991. The authorised and issued and paid-up share capital is RM200,000 and RM50,000 comprising 200,000 and 50,000 ordinary shares of RM1 each respectively.

P-Manufacturing is inactive as at 31 December 2000. On 1 July 1999, P-Manufacturing transferred its manufacturing and trading operations to Inticraft Sdn Bhd ("Inticraft"), a wholly owned subsidiary of P.Y.T. pursuant to a rationalisation exercise by the Group in order to achieve a higher degree of production cost efficiency.

P-Manufacturing is a direct subsidiary of Tong Yek (100%) which in turn is a direct subsidiary of P.Y.T. (100%).

2.3.6 Inticraft Sdn Bhd ("Inticraft")

Inticraft was incorporated on 17 November 1997. The authorised and issued and paid-up share capital is RM500,000 comprising 500,000 ordinary shares of RM1 each respectively.

The principal activity of Inticraft is manufacturing and trading in gold and jewellery. The products manufactured by Inticraft are mainly sold to P.Y.T., P-Jewellers, Tong Yek, P-Medal, Diamond & Platinum and P-Ampang.

Inticraft has been granted Pioneer Status for a period of 5 years from 1 January 2000 to 31 December 2004.

Inticraft is a direct subsidiary of P.Y.T. (100%).

15. ACCOUNTANTS' REPORT (*cont'd*)



2.3.7 Diamond & Platinum Sdn Bhd (“Diamond & Platinum”)

Diamond & Platinum was incorporated in Malaysia on 3 September 1999 as a private limited company under the name of Diamond & Platinum Sdn Bhd. The authorised and issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each respectively.

The principal activity of Diamond & Platinum is trading in diamonds and jewellery.

Diamond & Platinum is a direct subsidiary of P.Y.T. (60%).

2.3.8 PYT Jewellers (Ampang) Sdn Bhd (“P-Ampang”)

P-Ampang was incorporated in Malaysia on 13 October 1999 as a private limited company under the name of Guwera Corporation Sdn Bhd. On 23 November 1999, the company changed its name to PYT Jewellers (Ampang) Sdn Bhd. The authorised and issued and paid-up capital is RM5,000,000 and RM2,000,000 comprising 5,000,000 and 2,000,000 ordinary shares of RM1 each respectively.

The principal activity of P-Ampang is trading in gold and jewellery.

P-Ampang is a direct subsidiary of P.Y.T. (90%).

2.3.9 Telenaga Sdn Bhd (“Telenaga”)

Telenaga was incorporated in Malaysia on 30 December 1996 as a private limited company under the name of Telenaga Sdn Bhd. The authorised and issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each respectively.

The principal activity of Telenaga is property investment.

Telenaga is a direct subsidiary of P-Jewellers (100%) which in turn is a direct subsidiary of P.Y.T. (100%).

2.3.10 Diamond Mart Sdn Bhd (“Diamond Mart”)

Diamond Mart was incorporated in Malaysia on 17 March 1997 as a private limited company under the name of Sanprise Sdn Bhd. On 8 February 1999, the company changed its name to Diamond Mart Sdn Bhd. The authorised and issued and paid-up capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each respectively.

The intended principal activity of Diamond Mart is property investment.

As at 31 March 2001, Diamond Mart has not commenced operations.

Diamond Mart is a direct subsidiary of P.Y.T. (100%).

15. ACCOUNTANTS' REPORT *(cont'd)*



3.0 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This report is based on audited financial statements which have been prepared in accordance with approved accounting standards issued by the Malaysian Accounting Standards Board and is presented on a basis consistent with the accounting policies normally adopted by the Group.

4.0 AUDITORS

We have been appointed auditors of the Company since its incorporation on 3 January 1997. Except for Telenaga and Diamond Mart, we have acted as auditors of the subsidiary companies for the relevant periods under review and have reported on the financial statements of these subsidiary companies without qualification. Our 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 another firm 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 periods under review, the financial accounting date of the subsidiaries is coterminous with the Company, namely 31 December except for Diamond Mart whereby its financial accounting date is 31 March.

15. ACCOUNTANTS' REPORT (cont'd)**5.0 SUMMARISED INCOME STATEMENTS****5.1 DEGEM GROUP**

Following completion of the Acquisition on 31 March 2001, the summarised income statements of Degem Group set out below are based on the audited financial statements of Degem and its subsidiary companies and have been presented on the basis that the Acquisition had been in effect throughout the relevant periods under review.

	← Year ended 31 December →					3 months ended 1.1.01 to 31.3.01
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	75,828	91,060	53,957	66,444	88,039	18,069
Profit before depreciation and interest	11,726	11,110	7,296	11,590	14,535	3,635
Depreciation	(545)	(1,078)	(1,008)	(1,684)	(1,369)	(330)
Interest expense	(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
Minority interest	-	-	-	(131)	(837)	(138)
Profit after tax and minority interest	6,945	6,149	4,027	8,918	8,692	2,232
No. of ordinary shares ('000)	35,000	35,000	35,000	35,000	35,000	35,000
Earnings per share (sen)	19.84	17.57	11.51	25.48	24.83	6.38

Notes:-

- (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 Malaysian Accounting Standard 2.
- (3) The financial results of Inticraft, Diamond & Platinum, and Telenaga are included in the above proforma income statements only in respect of financial years ended 31 December 1999 and 2000 and financial period ended 31 March 2001 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 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.

15. ACCOUNTANTS' REPORT *(cont'd)*



(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 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 earnings per share 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.

15. ACCOUNTANTS' REPORT *(cont'd)*

5.2 DEGEM (Company Level)

	Year ended 31.12.00 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	-	-
Loss before depreciation and interest	(24)	(2)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(24)	(2)
Taxation	-	-
Loss after taxation	(24)	(2)
No. of ordinary shares ('000)	2	35,000
Earnings per share (sen)	(1,200.00)	(0.006)

Notes:-

- (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) There were no extraordinary items in the relevant years under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.3 P.Y.T. (Group Level)

	← Year ended 31 December →					3 months ended 1.1.01 to 31.3.01
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	75,828	91,060	53,957	66,444	88,039	18,069
Profit before depreciation and interest	11,726	11,110	7,296	11,590	14,559	3,637
Depreciation	(545)	(1,078)	(1,008)	(1,684)	(1,369)	(330)
Interest expense	(372)	(645)	(1,077)	(845)	(913)	(251)
Profit before taxation	10,809	9,387	5,211	9,061	12,277	3,056
Taxation	(3,864)	(3,238)	(1,184)	(12)	(2,724)	(684)
Profit after taxation	6,945	6,149	4,027	9,049	9,553	2,372
Minority interest	-	-	-	(131)	(837)	(138)
Profit after tax and minority interest	6,945	6,149	4,027	8,918	8,716	2,234
No. of ordinary shares ('000)	1,915	1,915	1,915	1,915	1,915	1,915
Earnings per share (sen)	362.66	321.10	210.29	465.69	455.14	116.66

Notes:-

- (1) 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 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 financial period ended 31 March 2001 is principally attributed to tax exempt profits of Inticraft, a subsidiary granted Pioneer status.

- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)**5.4 P.Y.T. (Company Level)**

	← Year ended 31 December →					3 months ended 1.1.01 to 31.3.01
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	39,121	38,155	25,188	29,901	39,524	9,099
Profit before depreciation and interest	4,924	3,455	3,641	2,964	2,653	437
Depreciation	(209)	(493)	(455)	(495)	(636)	(159)
Interest expense	(312)	(481)	(945)	(574)	(481)	(113)
Profit before taxation	4,403	2,481	2,241	1,895	1,536	165
Taxation	(1,549)	(948)	(630)	-	(557)	(79)
Profit after taxation	2,854	1,533	1,611	1,895	979	86
No. of ordinary shares ('000)	1,915	1,915	1,915	1,915	1,915	1,915
Earnings per share (sen)	149.03	80.05	84.13	98.96	51.12	4.49

Notes:-

- (1) The high effective tax rate for the years 1996, 1997 and 2000 and for the 3 months period ended 31 March 2001 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.

- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)**5.5 P-JEWELLERS (Company Level)**

	← Year ended 31 December →					3 months ended 1.1.01 to 31.3.01
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	47,109	63,683	35,761	42,558	50,290	8,728
Profit before depreciation and interest	6,409	6,970	3,223	6,217	2,720	1,374
Depreciation	(229)	(402)	(365)	(389)	(321)	(76)
Interest expense	(51)	(148)	(117)	(103)	(169)	(74)
Profit before taxation	6,129	6,420	2,741	5,725	2,230	1,224
Taxation	(2,220)	(2,091)	(615)	-	(720)	(335)
Profit after taxation	3,909	4,329	2,126	5,725	1,510	889
No. of ordinary shares ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Earnings per share (sen)	390.86	432.92	212.57	572.47	151.05	88.90

Notes:-

- (1) The high effective tax rate for the years 1996, 1997 and 2000 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.

- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.6 TONG YEK (Company Level)

	← Year ended 31 December →					3 months ended 1.1.01 to 31.3.01
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	11,137	14,073	9,241	13,424	3,979	-
Profit before depreciation and interest	490	695	690	591	43	4
Depreciation	(39)	(85)	(87)	(80)	(51)	(13)
Interest expense	(3)	(9)	(7)	(7)	(7)	(1)
Profit/(loss) before taxation	448	601	596	504	(15)	(10)
Taxation	(140)	(340)	(30)	-	(15)	-
Profit/(loss) after taxation	308	261	566	504	(30)	(10)
No. of ordinary shares ('000)	540	540	540	540	540	540
Earnings per share (sen)	57.04	48.33	104.81	93.33	(5.56)	(1.85)

Notes:-

(1) On 1 January 2000, Tong Yek transferred its manufacturing and trading operations to Inticraft pursuant to a group rationalisation exercise in order to achieve a higher degree of production cost efficiency.

(2) The high effective tax rate for the years 1996, 1997 and 2000 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.

(3) There were no extraordinary items in the relevant periods under review.

(4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.7 P-MEDAL (Company Level)

	← Year ended 31 December →					3 months ended 1.1.01 to 31.3.01
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	1,176	1,156	1,208	1,202	681	-
Profit before depreciation and interest	261	385	404	32	38	4
Depreciation	(47)	(52)	(56)	(43)	(2)	(1)
Interest expense	(6)	(6)	(6)	(6)	(2)	-
Profit before taxation	208	327	342	(17)	34	3
Taxation	(62)	(86)	(105)	7	(10)	-
Profit after taxation	146	241	237	(10)	24	3
No. of ordinary shares ('000)	446	446	446	446	446	446
Earnings per share (sen)	32.74	54.04	53.14	(2.24)	5.38	0.67

Notes:-

(1) During the financial year ended 1999, P-Medal wound down its manufacturing and trading operations in gold and jewellery following the transfer of its manufacturing operations to Inticraft pursuant to a group rationalisation exercise in order to achieve a higher degree of production cost efficiency.

(2) The high effective tax rate for the years 1996, 1998 and 2000 is attributed to the non-deductibility of certain expenses for tax purposes.

The low effective tax rate for the year 1997 is principally attributed to reversal of an over provision of taxation in prior year.

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 in 1999 represents reversal of provision for deferred tax.

(3) There were no extraordinary items in the relevant periods under review.

(4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.8 P-MANUFACTURING (Company Level)

	← Year ended 31 December →					3 months ended 1.1.01 to 31.3.01
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	3,193	3,095	3,065	1,946	-	-
Profit before depreciation and interest	90	91	156	83	(5)	(1)
Depreciation	(22)	(46)	(46)	(26)	(5)	-
Interest expense	-	(2)	(2)	(2)	(3)	-
Profit/(loss) before taxation	68	43	108	55	(13)	(1)
Taxation	(23)	(13)	(33)	18	-	-
Profit/(loss) after taxation	45	30	75	73	(13)	(1)
No. of ordinary shares ('000)	50	50	50	50	50	50
Earnings per share (sen)	90.00	60.00	150.00	146.00	(26.00)	(2.00)

Notes:-

(1) During the financial year ended 1999, P-Manufacturing wound down its manufacturing and trading operations in gold and jewellery following the transfer of its manufacturing and trading operations to Inticraft pursuant to a group rationalisation exercise in order to achieve a higher degree of production cost efficiency. P-Manufacturing ceased operations in year 2000.

(2) The high effective tax rate for the years 1996, 1997 and 1998 is attributed to the non-deductibility of certain expenses for tax purposes.

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 in 1999 represents reversal of provision for deferred tax.

(3) There were no extraordinary items in the relevant periods under review.

(4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.9 INTICRAFT (Company Level)

	Period from 17.11.97 to 31.12.98 RM'000	Year ended 31 December 1999 RM'000	2000 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	-	2,542	46,501	9,279
Profit before depreciation and interest	-	554	7,966	1,623
Depreciation	-	(46)	(124)	(29)
Interest expense	-	-	-	-
Profit before taxation	-	508	7,842	1,594
Taxation	-	(22)	(682)	(161)
Profit after taxation	-	486	7,160	1,433
No. of ordinary shares ('000)	*	500	500	500
Earnings per share (sen)	-	97.20	1,432.00	286.60

* RM2

Notes:-

- (1) Inticraft was incorporated on 17 November 1997. Inticraft commenced manufacturing and trading operations in gold and jewellery following the transfer of the manufacturing operations from P-Manufacturing and P-Medal in 1999 and from Tong Yek in 2000 pursuant to a group rationalisation exercise in order to achieve a higher degree of production cost efficiency.

The first audited financial statements cover the period from 17 November 1997 to 31 December 1998.

- (2) The low effective tax rate in year 2000 and the 3 months period ended 31 March 2001 is principally attributed to tax exempt profits arising from Pioneer Status granted to Inticraft.

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 in 1999 represents provision for deferred tax.

- (3) There were no extraordinary items in the relevant periods under review.
- (4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)**5.10 DIAMOND & PLATINUM (Company Level)**

	Period from 3.9.99 to 31.12.99 RM'000	Year ended 31.12.00 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	1,533	13,694	4,095
Profit before depreciation and interest	390	2,921	465
Depreciation	(48)	(115)	(30)
Interest expense	-	(5)	(1)
Profit before taxation	342	2,801	434
Taxation	(15)	(784)	(141)
Profit after taxation	327	2,017	293
No. of ordinary shares ('000)	100	1,000	1,000
Earnings per share (sen)	327.00	201.70	29.3

Notes:-

- (1) Diamond & Platinum was incorporated on 3 September 1999. Accordingly, the first audited financial statements cover the period from 3 September 1999 to 31 December 1999.
- (2) The high effective tax rate for the 3 months period ended 31 March 2001 is attributed to the non-deductibility of certain expenses for tax purposes.
- (3) There were no extraordinary items in the relevant periods under review.
- (4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT *(cont'd)*

5.11 P-AMPANG (Company Level)

	Period from 13.10.99 to 31.12.00 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	5,492	1,131
Profit before depreciation and interest	516	299
Depreciation	(84)	(14)
Interest expense	(4)	(1)
Profit before taxation	428	284
Taxation	(128)	(81)
Profit after taxation	300	203
No. of ordinary shares ('000)	2,000	2,000
Earnings per share (sen)	15.00	10.15

Notes:-

- (1) P-Ampang was incorporated on 13 October 1999. Accordingly, the first audited financial statements cover the period from 13 October 1999 to 31 December 2000.
- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.12 TELENAGA (Company Level)

	Period from 30.12.96 to 31.12.97 RM'000	Year ended 31 December 1998 RM'000	1999 RM'000	2000 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	-	-	248	294	21
Profit before depreciation and interest	-	-	233	240	-
Depreciation	-	-	(31)	(31)	(8)
Interest expense	-	-	(153)	(245)	(60)
Profit/(loss) before taxation	-	-	49	(36)	(68)
Taxation	-	-	-	(2)	-
Profit/(loss) after taxation	-	-	49	(38)	(68)
No. of ordinary shares ('000)	*	*	1,000	1,000	1,000
Earnings per share (sen)	-	-	4.90	(3.80)	(6.80)

* RM2

Notes:-

- (1) Telenaga was incorporated on 30 December 1996 and commenced operations in 1999. Accordingly, the first audited financial statements cover the period from 30 December 1996 to 31 December 1997.
- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.13 DIAMOND MART (Company Level)

	Period from 17.3.97 to 31.3.98 RM'000	Year ended 31 March 1999 RM'000	2000 RM'000	Period from 1.4.00 to 31.12.00 RM'000	Period from 31.12.00 to 31.3.01 RM'000
Revenue	-	-	-	-	-
Profit before depreciation and interest	-	-	-	(11)	(5)
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Profit before taxation	-	-	-	(11)	(5)
Taxation	-	-	-	-	-
Profit after taxation	-	-	-	(11)	(5)
No. of ordinary shares ('000)	*	*	100	100	100
Earnings per share (sen)	-	-	-	(11.00)	(5.00)

* RM2

Notes:-

- (1) Diamond Mart was incorporated on 17 March 1997. Accordingly, the first audited financial statements cover the period from 17 March 1997 to 31 March 1998. No income statement has been presented up to 31 March 2000 as Diamond Mart has not commenced operations. The financial results in the period from 1 April 2000 to 31 December 2000 represent preliminary and pre-operating expenses written off.
- (2) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)**6.0 DIVIDENDS**

No dividend has been paid or declared by Degem during the relevant financial periods under review. No dividends have been paid or declared by the subsidiaries of Degem during the relevant periods under review except for P.Y.T., P-Jewellers, Tong Yek and P-Medal in respect of the financial periods as follows:

(i) P.Y.T.

Year ended 31 December	Issued and paid-up capital	Dividend rate	Tax rate	Net dividend paid
	RM	%	%	RM
1996	1,914,750	10	30	134,033
1997	1,914,750	10	28	137,862
1998	1,914,750	10	28	137,862
1999	1,914,750	10	28	137,862
2000	1,914,750	10	28	137,862

(ii) P-Jewellers

Year ended 31 December	Issued and paid-up capital	Dividend rate	Tax rate	Net dividend paid
	RM	%	%	RM
1996	1,000,000	10	30	70,000
1997	1,000,000	10	28	72,000
1998	1,000,000	20	28	144,000

(iii) Tong Yek

Year ended 31 December	Issued and paid-up capital	Dividend rate	Tax rate	Net dividend paid
	RM	%	%	RM
1998	540,000	40	28	155,520

(iv) P-Medal

Year ended 31 December	Issued and paid-up capital	Dividend rate	Tax rate	Net dividend paid
	RM	%	%	RM
1998	445,600	90	28	288,749
2000	445,600	90	28	288,749

15. ACCOUNTANTS' REPORT (cont'd)**7.0 SUMMARISED BALANCE SHEETS**

Following completion of the Acquisition on 31 March 2001, the summarised balance sheets of Degem Group set out below are based on the audited financial statements of Degem and its subsidiary companies and have been presented on the basis that the Acquisition had been in effect throughout the relevant periods under review.

7.1 DEGEM GROUP

	← Degem Group →				
	← As at 31 December →				As at
	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	9,980	9,187	14,110	15,261	15,160
Intangible assets	295	299	321	609	629
Current assets	52,040	47,142	61,356	77,087	78,039
Current liabilities	(33,074)	(24,219)	(32,117)	(39,855)	(38,463)
Net current assets	18,966	22,923	29,239	37,232	39,576
Minority Interest	-	-	(171)	(1,567)	(1,705)
Deferred and long term liabilities	(2,785)	(2,064)	(4,374)	(3,856)	(3,749)
Net assets	26,456	30,345	39,125	47,679	49,911
Financed by:-					
Share capital	35,000	35,000	35,000	35,000	35,000
Reserves	(8,544)	(4,655)	4,125	12,679	14,911
	26,456	30,345	39,125	47,679	49,911
Net tangible assets per share (RM)	0.75	0.86	1.11	1.34	1.41

Notes:-

- (1) Degem was incorporated on 3 January 1997. Accordingly, the first audited financial statements cover the period from 3 January 1997 to 31 December 1997.
- (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 Malaysian Accounting Standard 2. The purchase consideration for the Acquisition is calculated on Net Tangible Assets based on the audited financial statements of the subsidiary companies as at 31 December 1999. Consequently, in the presentation of the balance sheets of the Degem Group for the relevant periods under review, a deficit in reserves arises in 1997 and 1998.

15. ACCOUNTANTS' REPORT (cont'd)



7.2 DEGEM (Company Level)

	← As at 31 December →				As at
	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000
Subsidiary companies	-	-	-	-	34,347
Intangible assets	295	299	303	609	629
Current assets	*	*	*	1	1
Current liabilities	(295)	(299)	(303)	(634)	(3)
Net current (liabilities)/assets	(295)	(299)	(303)	(633)	(2)
Net assets	*	*	*	(24)	34,974
Financed by:-					
Share capital	*	*	*	*	35,000
Reserves	-	-	-	(24)	(26)
	*	*	*	(24)	34,974
Net tangible (liabilities)/assets per share (RM)	(147,674)	(149,273.5)	(151,602)	(316,482)	0.98

* RM2

Notes:-

- (1) Degem was incorporated on 3 January 1997. Accordingly, the first audited financial statements cover the period from 3 January 1997 to 31 December 1997.
- (2) The balances due from/(to) the subsidiary companies of Degem Group after the Acquisition are as follows:-

	← As at 31 December →				As at
	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000
Due from/(to):					
P-Jewellers	(295)	(299)	(303)	(633)	(653)

15. ACCOUNTANTS' REPORT (cont'd)**7.3 P.Y.T. (Group Level)**

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	6,133	9,980	9,187	14,110	15,261	15,160
Intangible assets	-	-	-	18	-	-
Current assets	48,058	52,335	47,441	61,659	77,720	78,691
Current liabilities	(31,591)	(33,074)	(24,219)	(32,117)	(39,855)	(38,460)
Net current assets	16,467	19,261	23,222	29,542	37,865	40,231
Minority Interest	-	-	-	(171)	(1,567)	(1,705)
Deferred and long term liabilities	(2,156)	(2,785)	(2,064)	(4,374)	(3,856)	(3,749)
Net assets	20,444	26,456	30,345	39,125	47,703	49,937
Financed by:-						
Share capital	1,915	1,915	1,915	1,915	1,915	1,915
Reserves	18,529	24,541	28,430	37,210	45,788	48,022
	20,444	26,456	30,345	39,125	47,703	49,937
Net tangible assets per share (RM)	10.68	13.82	15.85	20.42	24.91	26.08

Notes:-

- (1) The balances due from/(to) the related companies of P.Y.T. Group after the Acquisition are as follows:-

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Due from/(to):						
Degem	-	295	299	303	633	653

15. ACCOUNTANTS' REPORT (cont'd)



7.4 P.Y.T. (Company Level)

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	4,210	6,890	6,522	6,295	6,970	6,941
Subsidiary companies	2,690	2,564	944	1,012	1,614	829
Current assets	15,744	17,117	16,280	16,050	19,610	21,017
Current liabilities	(9,654)	(11,859)	(8,094)	(6,146)	(10,371)	(10,954)
Net current assets	6,090	5,258	8,186	9,904	9,239	10,063
Deferred and long term liabilities	(1,861)	(2,188)	(1,655)	(1,456)	(1,227)	(1,151)
Net assets	11,129	12,524	13,997	15,755	16,596	16,682
Financed by:-						
Share capital	1,915	1,915	1,915	1,915	1,915	1,915
Reserves	9,214	10,609	12,082	13,840	14,681	14,767
	11,129	12,524	13,997	15,755	16,596	16,682
Net tangible assets per share (RM)	5.81	6.54	7.31	8.23	8.67	8.71

15. ACCOUNTANTS' REPORT (cont'd)**7.5 P-JEWELLERS (Company Level)**

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	923	1,752	1,458	1,329	1,204	1,128
Subsidiary company	-	-	-	1,000	1,000	1,000
Current assets	27,895	31,906	28,954	38,722	41,853	42,962
Current liabilities	(19,865)	(20,220)	(15,149)	(19,956)	(21,637)	(21,837)
Net current assets	8,030	11,686	13,805	18,766	20,216	21,125
Deferred and long term liabilities	(234)	(462)	(305)	(412)	(226)	(172)
Net assets	8,719	12,976	14,958	20,683	22,194	23,081
Financed by:-						
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Reserves	7,719	11,976	13,958	19,683	21,194	22,081
	8,719	12,976	14,958	20,683	22,194	23,081
Net tangible assets per share (RM)	8.72	12.98	14.96	20.68	22.19	23.08

Notes:-

- (1) The balances due from/(to) the related companies of P-Jewellers after the Acquisition are as follows:-

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Due from/(to):						
Degem	-	295	299	303	633	653
P.Y.T.	66	105	251	(429)	738	-
Telenaga	-	-	-	762	908	909
Subsidiaries of P.Y.T.	(514)	(2,276)	(1,771)	(1,621)	(7,582)	(7,436)

15. ACCOUNTANTS' REPORT (cont'd)



7.6 TONG YEK (Company Level)

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	480	659	590	595	352	339
Subsidiary company	50	50	50	50	50	50
Current assets	4,545	5,569	4,832	8,845	2,494	2,497
Current liabilities	(3,404)	(4,282)	(3,072)	(6,616)	(57)	(57)
Net current assets	1,141	1,287	1,760	2,229	2,437	2,440
Deferred and long term liabilities	(5)	(69)	(63)	(33)	(28)	(28)
Net assets	1,666	1,927	2,337	2,841	2,811	2,801
Financed by:-						
Share capital	540	540	540	540	540	540
Reserves	1,126	1,387	1,797	2,301	2,271	2,261
	1,666	1,927	2,337	2,841	2,811	2,801
Net tangible assets per share (RM)	3.09	3.57	4.33	5.26	5.21	5.19

Notes:-

- (1) The balances due from/(to) the related companies of Tong Yek after the Acquisition are as follows:-

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Due from/(to):						
P.Y.T.	31	(633)	269	1,590	-	(8)
P-Manufacturing	(800)	(175)	-	(145)	-	-
Subsidiaries of P.Y.T.	498	2,175	1,628	1,298	2,487	2,492

15. ACCOUNTANTS' REPORT (cont'd)**7.7 P-MEDAL (Company Level)**

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	384	383	368	160	157	157
Current assets	788	1,086	1,425	1,426	1,112	1,116
Current liabilities	(63)	(132)	(527)	(343)	(291)	(291)
Net current assets	725	954	898	1,083	821	825
Deferred and long term liabilities	(45)	(32)	(12)	-	-	-
Net assets	1,064	1,305	1,254	1,243	978	982
Financed by:-						
Share capital	446	446	446	446	446	446
Reserves	618	859	808	797	532	536
	1,064	1,305	1,254	1,243	978	982
Net tangible assets per share (RM)	2.39	2.93	2.81	2.79	2.19	2.20

Notes:-

- (1) The balances due from/(to) the related companies of P-Medal after the Acquisition are as follows:-

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Due from/(to):						
P.Y.T.	10	368	470	953	363	1,057
Subsidiaries of P.Y.T.	-	78	114	60	-	1

15. ACCOUNTANTS' REPORT (cont'd)**7.8 P-MANUFACTURING (Company Level)**

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	136	295	249	14	-	-
Current assets	1,292	844	521	775	645	651
Current liabilities	(940)	(599)	(160)	(129)	(3)	(9)
Net current assets	352	245	361	646	642	642
Deferred and long term liabilities	(11)	(33)	(28)	(5)	-	-
Net assets	477	507	582	655	642	642
Financed by:-						
Share capital	50	50	50	50	50	50
Reserves	427	457	532	605	592	592
	477	507	582	655	642	642
Net tangible assets per share (RM)	9.54	10.14	11.64	13.11	12.85	12.84

Notes:-

- (1) The balances due from/(to) the related companies of P-Manufacturing after the Acquisition are as follows:-

	← As at 31 December →					As at
	1996	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Due from/(to):						
P.Y.T.	(852)	(470)	-	(51)	-	(6)
Tong Yek	800	175	-	145	-	-
Subsidiaries of P.Y.T.	16	23	28	563	632	632

15. ACCOUNTANTS' REPORT (cont'd)**7.9 INTICRAFT (Company Level)**

	← As at 31 December →			As at
	1998 RM	1999 RM'000	2000 RM'000	31.3.01 RM'000
Property, plant and equipment	-	471	697	692
Intangible assets	500	-	-	-
Current assets	2	2,262	22,520	22,426
Current liabilities	(500)	(1,725)	(15,027)	(13,467)
Net current assets	498	537	7,493	8,959
Deferred and long term liabilities	-	(22)	(44)	(72)
Net assets	2	986	8,146	9,579
Financed by:-				
Share capital	2	500	500	500
Reserves	-	486	7,646	9,079
	2	986	8,146	9,579
Net tangible assets per share (RM)	1.00	1.97	16.29	19.16

Notes:-

- (1) Inticraft was incorporated on 17 November 1997. Accordingly, the first audited financial statements cover the period from 17 November 1997 to 31 December 1998.
- (2) The balances due from/(to) the related companies of Inticraft after the Acquisition are as follows:-

	← As at 31 December →			As at
	1998 RM	1999 RM'000	2000 RM'000	31.3.01 RM'000
Due from/(to):				
P.Y.T.	-	(843)	2,277	1,995
Subsidiaries of P.Y.T.	-	393	7,231	9,407

15. ACCOUNTANTS' REPORT (cont'd)



7.10 DIAMOND & PLATINUM (Company Level)

	As at 31 December 1999 RM'000	2000 RM'000	As at 31.3.01 RM'000
Property, plant and equipment	548	875	917
Current assets	2,754	7,130	8,322
Current liabilities	(2,801)	(4,581)	(5,506)
Net current assets	(47)	2,549	2,816
Deferred and long term liabilities	(74)	(80)	(96)
Net assets	427	3,344	3,637
Financed by:-			
Share capital	100	1,000	1,000
Reserves	327	2,344	2,637
	427	3,344	3,637
Net tangible assets per share (RM)	4.27	3.34	3.64

Notes:-

- (1) Diamond & Platinum was incorporated on 3 September 1999. Accordingly, the first audited financial statements cover the period from 3 September 1999 to 31 December 1999.
- (2) The balances due from/(to) the related companies of Diamond & Platinum after the Acquisition are as follows:-

	As at 31 December 1999 RM'000	2000 RM'000	As at 31.3.01 RM'000
Due from/(to):			
P.Y.T.	423	(274)	570
Subsidiaries of P.Y.T.	(895)	(1,132)	(2,431)

15. ACCOUNTANTS' REPORT (cont'd)



7.11 P-AMPANG (Company Level)

	As at	
	31.12.00 RM'000	31.3.01 RM'000
Property, plant and equipment	382	368
Current assets	3,751	4,386
Current liabilities	(1,775)	(2,192)
Net current assets	1,976	2,194
Deferred and long term liabilities	(58)	(59)
Net assets	2,300	2,503
Financed by:-		
Share capital	2,000	2,000
Reserves	300	503
	2,300	2,503
Net tangible assets per share (RM)	1.15	1.25

Notes:-

- (1) P-Ampang was incorporated on 13 October 1999. Accordingly, the first audited financial statements cover the period from 13 October 1999 to 31 December 2000.
- (2) The balances due from/(to) the related companies of P-Ampang after the Acquisition are as follows:-

	As at	
	31.12.00 RM'000	31.3.01 RM'000
Due from/(to):		
P.Y.T.	128	409
Subsidiaries of P.Y.T.	(1,490)	(1,916)

15. ACCOUNTANTS' REPORT (cont'd)



7.12 TELENAGA (Company Level)

	← As at 31 December →				As at
	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	4,656	4,624	4,617
Property under development	-	479	-	-	-
Intangible assets	4	6	10	-	-
Current assets	*	3	37	64	60
Current liabilities	(4)	(488)	(1,282)	(1,486)	(1,563)
Net current assets	(4)	(485)	(1,245)	(1,422)	(1,503)
Deferred and long term liabilities	-	-	(2,372)	(2,191)	(2,171)
Net assets	*	*	1,049	1,011	943
Financed by:-					
Share capital	*	*	1,000	1,000	1,000
Reserves	-	-	49	11	(57)
	*	*	1,049	1,011	943
Net tangible assets per share (RM)	(2,029.00)	(2,824.00)	1.04	1.01	0.94

* RM2

Notes:-

- (1) Telenaga was incorporated on 30 December 1996. Accordingly, the first audited financial statements cover the period from 30 December 1996 to 31 December 1997.
- (2) The balances due to a related company of Telenaga after the Acquisition is as follows:-

	← As at 31 December →				As at
	1997	1998	1999	2000	31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000
Due to:					
P-Jewellers	-	-	(735)	(908)	(909)

15. ACCOUNTANTS' REPORT (cont'd)



7.13 DIAMOND MART (Company Level)

	← As at 31 March →			
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Intangible assets	5	7	9	-
Current assets	*	*	253	990
Current liabilities	(5)	(7)	(162)	(1)
Net current assets	(5)	(7)	91	989
Deferred and long term liabilities	-	-	-	-
Net assets	*	*	100	989
Financed by:-				
Share capital	*	*	100	1,000
Reserves	-	-	-	(11)
	*	*	100	989
Net tangible assets per share (RM)	(2,490.00)	(3,682.00)	0.91	0.99

* RM2

Notes:-

- (1) Diamond Mart was incorporated on 17 March 1997. Accordingly, the first audited financial statements cover the period from 17 March 1997 to 31 March 1998.
- (2) The balances due from/(to) the related companies of Diamond Mart after the Acquisition are as follows:-

	← As at 31 March →			
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Due from/(to):				
P.Y.T.	-	-	(17)	988
Subsidiaries of P.Y.T.	-	-	201	(760)

15. ACCOUNTANTS' REPORT (cont'd)



8.0 DETAILED STATEMENTS OF ASSETS AND LIABILITIES

The Detailed Statements of Assets and Liabilities set out below are provided for illustrative purposes only and are based on the audited financial statements of Degem Group as at 31 March 2001 to show the effects of the Flotation Scheme had it been effected on 31 March 2001. The Statements are to be read in conjunction with the notes thereto:-

		← Degem Group →	
		Audited as at 31 March 2001 RM'000	After Public Issue RM'000
PROPERTY, PLANT AND EQUIPMENT	B	15,160	15,460
CURRENT ASSETS	C	78,039	85,281
CURRENT LIABILITIES	D	(38,463)	(38,463)
NET CURRENT ASSETS		39,576	46,818
DEFERRED EXPENDITURE		629	-
		55,365	62,278
SHARE CAPITAL	E	35,000	42,000
RESERVES	F	14,911	17,411
SHAREHOLDERS' FUNDS		49,911	59,411
MINORITY INTEREST		1,705	1,705
DEFERRED AND LONG TERM LIABILITIES	G	3,749	1,162
		55,365	62,278
Net Tangible Assets per share (RM)		1.41	1.41

15. ACCOUNTANTS' REPORT *(cont'd)*

9.0 NOTES TO THE DETAILED STATEMENTS OF ASSETS AND LIABILITIES

A. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Company and of the Group are prepared under the historical cost convention and comply with approved accounting standards issued by the Malaysian Accounting Standards Board.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies for the period to 31 March. Subsidiary companies are consolidated where appropriate on the acquisition method of accounting or on the merger method of accounting permitted under Malaysian Accounting Standard 2.

Under the acquisition method of accounting, the results of the subsidiary company acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Goodwill or reserve on consolidation represents the difference between the consideration paid for the shares in the subsidiary company and the value of attributable net assets acquired, as applicable.

Under the merger method of accounting, the results of the subsidiary company are presented as if the subsidiary company had been owned by the Company throughout the current and previous accounting periods. The excess in the carrying value of the investment over the nominal value of the share capital of the subsidiaries is treated as a reduction of reserve.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Cost comprises purchase cost and any incidental costs of acquisition.

Leasehold land is amortised over the period of the lease. All other property, plant and equipment are depreciated on a straight-line method to write off the cost or valuation of the assets over the term of their estimated useful lives.

The principal annual rates used are as follows:-

Freehold Buildings	2% - 3%
Renovations	10%
Plant, equipment and fittings	10%
Motor vehicles	20%

No depreciation is provided on freehold land.

15. ACCOUNTANTS' REPORT (*cont'd*)



A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Inventories

Inventories are stated at the lower of cost and net realisable value and the cost is determined on the first-in first-out or weighted average basis. Cost includes the cost of materials and incidentals in bringing the goods into store and for manufactured goods and work-in-progress, cost includes addition, labour and attributed manufacturing overheads. In arriving at net realisable value, due allowance is made for all obsolete and slow-moving items.

(e) Revenue recognition

(i) Revenue from sale of goods

Revenue from sale of goods is recognised in the income statement on an accrual basis based on the invoiced value of goods sold.

(ii) Dividend income

Dividend income from subsidiary companies is included in the income statement of the Company when declared or proposed.

(iii) Rental income

Rental income is recognised in the income statement on an accrual basis.

(iv) Interest income

Interest income is recognised in the income statement on an accrual basis.

(f) Deferred expenditure

Deferred expenditure represents expenses incurred in connection with the proposed flotation of the Company on the Kuala Lumpur Stock Exchange Second Board and will be written off against share premium account.

(g) Foreign Currency Transactions

Transactions in foreign currencies are recorded in the books of financial statements at the exchange rates ruling at the time of the transaction or at contracted rates, where applicable. Outstanding balances at year end are translated at the rates then ruling or at contracted rates. All exchange differences are included in the income statement.

(h) Deferred Taxation

Deferred taxation is provided on the liability method for taxation which is deferred due to timing differences except to the extent that it can be demonstrated, with reasonable probability, that the timing differences will continue in the foreseeable future.

No account is taken of any debit balances arising on deferred taxation account.

15. ACCOUNTANTS' REPORT (cont'd)**A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(i) Debtors**

Known bad debts are written off and specific provision is made for any debts considered to be doubtful of collection.

(j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, deposits with licensed banks and bank overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

B. PROPERTY, PLANT AND EQUIPMENT

DEGEM GROUP – Audited as at 31 March 2001

	Freehold land and buildings RM'000	Renovation RM'000	Motor vehicles RM'000	Plant, equipment and fittings RM'000	Total RM'000
COST					
At 1 January 2001	10,600	1,764	3,251	5,328	20,943
Additions	-	7	-	225	232
Disposal	-	-	-	(6)	(6)
At 31 March 2001	10,600	1,771	3,251	5,547	21,169
ACCUMULATED DEPRECIATION					
At 1 January 2001	702	647	2,356	1,977	5,682
Charge for the year	36	43	126	125	330
Disposal	-	-	-	(3)	(3)
At 31 March 2001	738	690	2,482	2,099	6,009
NET BOOK VALUE					
At 31 March 2001	9,862	1,081	769	3,448	15,160

15. ACCOUNTANTS' REPORT (cont'd)**B. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

DEGEM GROUP – After Public Issue

	Freehold land and buildings	Renovation	Motor vehicles	Plant, equipment and fittings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
COST					
At 1 January 2001	10,600	1,764	3,251	5,328	20,943
Additions	-	7	-	525	532
Disposal	-	-	-	(6)	(6)
At 31 March 2001	10,600	1,771	3,251	5,847	21,469
ACCUMULATED DEPRECIATION					
At 1 January 2001	702	647	2,356	1,977	5,682
Charge for the year	36	43	126	125	330
Disposal	-	-	-	(3)	(3)
At 31 March 2001	738	690	2,482	2,099	6,009
NET BOOK VALUE					
At 31 March 2001	9,862	1,081	769	3,748	15,460

- (a) The freehold land and buildings of the Degem Group are pledged as security for borrowing facilities extended by financial institutions to the Group.
- (b) Included in property, plant and equipment of the Degem Group are motor vehicles with net book value of RM595,040 acquired under hire purchase agreements.

15. ACCOUNTANTS' REPORT (cont'd)



C. CURRENT ASSETS

	← Degerm Group →	
	Audited As At 31 March 2001 RM'000	After Public Issue RM'000
Inventories (Note a)	72,914	72,914
Trade debtors	1,647	1,647
Other debtors, deposits and prepayments	2,150	2,150
Cash and bank balances	1,328	8,570
	<u>78,039</u>	<u>85,281</u>

(a) INVENTORIES

	← Degerm Group →	
	Audited As At 31 March 2001 RM'000	After Public Issue RM'000
Raw materials	7,405	7,405
Work-in-progress	2,777	2,777
Finished goods	64,538	64,538
	<u>74,720</u>	<u>74,720</u>
Less: Provision for slow moving items	(1,806)	(1,806)
	<u>72,914</u>	<u>72,914</u>

15. ACCOUNTANTS' REPORT (cont'd)



D. CURRENT LIABILITIES

	← Degem Group →	
	Audited As At 31 March 2001 RM'000	After Public Issue RM'000
Trade creditors	18,945	18,945
Other creditors	6,681	6,681
Hire purchase creditors (Note a)	286	286
Bank borrowings (Note b)	9,917	9,917
Taxation	2,013	2,013
Amount due to directors	527	527
Amount due to holding company (Note c)	94	94
	<u>38,463</u>	<u>38,463</u>

(a) HIRE PURCHASE CREDITORS

	← Degem Group →	
	Audited As At 31 March 2001 RM'000	After Public Issue RM'000
Hire purchase creditors	724	724
Less: Unexpired interest	(166)	(166)
At 31 March	<u>558</u>	<u>558</u>
Less: Portion repayable within twelve months	(286)	(286)
Portion repayable after twelve months	<u>272</u>	<u>272</u>

15. ACCOUNTANTS' REPORT (cont'd)



(b) BANK BORROWINGS - SECURED

	← Degem Group →	
	Audited As At 31 March 2001 RM'000	After Public Issue RM'000
Bank overdrafts	9,495	9,495
Term loans	3,669	1,082
	13,164	10,577
Term loans - repayable after 12 months	(3,247)	(660)
	9,917	9,917

The bank overdrafts and term loans of the Proforma Group are secured by way of:-

- (a) legal charges over the freehold land and buildings of the subsidiary companies;
- (b) fixed and floating charge on all the assets of a subsidiary company.;
- (c) corporate guarantee of a subsidiary company.;
- (d) negative pledge by a subsidiary company; and
- (e) joint and several guarantee by the Directors of a subsidiary company.

The bank overdrafts bear interest at 1.75% to 2.00% per annum above the base lending rate of the banks.

The term loans as at 31 March 2001 are made up of three term loans amounting to RM3.7 million as follows:-

- (i) The first term loan of RM0.3 million bears interest at 1.75% per annum above the base lending rate of the bank and is repayable over a period of 3 years by 36 monthly instalments commencing on the following month after the final advancement.
- (ii) The second term loan of RM2.3 million bears interest at 1.75% per annum above the base lending rate of the bank and is repayable by way of 180 monthly instalments commencing on the following month after the final advancement.
- (iii) The third term loan of RM1.1 million bears interest at 2.0% per annum above the base lending rate of the bank and is repayable by way of monthly instalments, over a 10 year period.

The loans are fully repayable from 2002 to 2014.

(c) AMOUNT DUE TO HOLDING COMPANY

The holding company is Legion Master Sdn. Bhd. which is incorporated in Malaysia. The amount due to holding company is unsecured, interest-free and has no fixed term of repayment.

15. ACCOUNTANTS' REPORT (cont'd)**E. SHARE CAPITAL**

	← Degem Group →	
	Audited as at 31 March 2001 RM'000	After Public Issue RM'000
Authorised: Ordinary shares of RM1 each	50,000	50,000
Issued and fully-paid: Ordinary shares of RM1 each	35,000	42,000

F. RESERVES

Analysis of reserves as at 31 March 2001 is as follows:-

	Share Premium RM'000	Retained Profits RM'000	Total RM'000
As per audited accounts as at 31 March 2001	-	14,911	14,911
Premium arising from Public Issue	4,200	-	4,200
Less : Listing expenses	(1,700)	-	(1,700)
After Public Issue	2,500	14,911	17,411

G. DEFERRED AND LONG TERM LIABILITIES

	← Degem Group →	
	Audited as at 31 March 2001 RM'000	After Public Issue RM'000
Hire purchase creditors [Note D (a)]	272	272
Term loans [Note D (b)]	3,247	660
Deferred taxation	230	230
	3,749	1,162

15. ACCOUNTANTS' REPORT (cont'd)



10.0 CASH FLOW STATEMENT

The cash flow statement of Degem Group set out below is based on the audited accounts of Degem Group for the three months period ended 31 March 2001 and is presented on the basis that the Acquisition had been in effect throughout the relevant periods under review.

3 months
period ended
31.3.01
RM'000

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	3,054
Adjustments for:-	
Depreciation	330
Interest expense	251
Loss on disposal of property, plant and equipment	3
Operating profit before working capital changes	3,638
Increase in inventories	(2,363)
Decrease in debtors	96
Decrease in creditors	(3,633)
Increase in amount due to holding company	94
Cash generated from operations	(2,168)
Interest paid	(251)
Income tax paid	(300)
Dividend paid	(138)
Net cash used in operating activities	(2,857)

CASH FLOWS FROM INVESTING ACTIVITIES

Deferred expenditure	(20)
Purchase of property, plant and equipment	(232)
Net cash used in investing activities	(252)

CASH FLOWS FROM FINANCING ACTIVITIES

Net repayment of term loans	(84)
Net repayment of hire purchase creditors	(79)
Net cash generated from financing activities	(163)

NET DECREASE IN CASH AND CASH EQUIVALENTS (3,272)

CASH AND CASH EQUIVALENTS AT 1 JANUARY 2000 (4,896)

CASH AND CASH EQUIVALENTS AT 31 MARCH 2001 (8,167)

15. ACCOUNTANTS' REPORT *(cont'd)***10.0 CASH FLOW STATEMENT (CONTD.)**

Cash and cash equivalents as at 31 March 2001 comprise the following:-

	RM'000
Cash and bank balances	1,328
Bank overdrafts	(9,495)
	<u>(8,167)</u>

11.0 ESTIMATED EXPENSES RELATING TO ACQUISITION AND PUBLIC ISSUE

Estimated expenses of RM1.7 million relating to the Acquisition and Public Issue have been debited against Share Premium in the Detailed Statements of Assets and Liabilities as at 31 March 2001.

12.0 PUBLIC ISSUE PROCEEDS

The cash proceeds of RM9.5million (after deducting estimated listing expenses of RM1.7 million) to be received from the Public Issue will be utilised as follows:-

	RM'000
Capital expenditure	300
Repayment of existing bank borrowings	2,587
Working capital	6,613
	<u>9,500</u>

15. ACCOUNTANTS' REPORT *(cont'd)*

13.0 NET TANGIBLE ASSETS COVER

Based on the Detailed Statements of Assets and Liabilities of the Degem Group as at 31 March 2001, the net tangible assets and enlarged share capital are derived as follows:-

(i) Net Tangible Assets

	As at 31.3.01 RM'000
Net Tangible Assets of the Degem Group before Public Issue	49,282
Add : Proceeds from Public Issue	11,200
	60,482
Less : Estimated listing expenses (after deducting RM0.629 million already incurred and shown as deferred expenditure as at 31 March 2001)	(1,071)
Net Tangible Assets	59,411

(ii) Share Capital

	No. of shares
Enlarged issued and fully paid-up share capital on completion of the Flotation Scheme	42,000,000

Based on the net tangible assets of RM59.411 million and enlarged issued and fully paid-up share capital of 42,000,000 new ordinary shares of RM1 each, the net tangible assets per share of the Degem Group is RM1.41.

14.0 EVENT SUBSEQUENT TO BALANCE SHEET DATE, 31 MARCH 2001

Based on the latest audited financial statements for the three (3) months period ended 31 March 2001, no event has arisen subsequent to the balance sheet date which requires disclosure in this report.

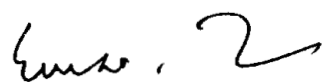
15. ACCOUNTANTS' REPORT *(cont'd)*



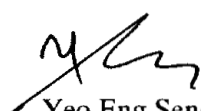
15.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 March 2001.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ernst & Young', written in a cursive style.

Ernst & Young AF:0039
Public Accountants

A handwritten signature in black ink, appearing to be 'Yeo Eng Seng', written in a cursive style.

Yeo Eng Seng 1212/12/02(J)
Partner

Kuala Lumpur, Malaysia

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION

16.1 Share Capital

1. No shares will be allotted on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.
2. There are no founder, management or deferred shares in the Company.
3. 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.
4. Save for the 2,100,000 ordinary shares of RM1.00 each reserved for the eligible employees of the Group pursuant to this Prospectus, there are at present no other schemes involving the employees in the share capital of the Company.
5. As at the date of this Prospectus, none of the share capital of the Company or any of its subsidiary companies is under any option or agreed conditionally or unconditionally to be put under any option.
6. Save as disclosed in Sections 8.1, 8.2 and 8.7 of this Prospectus, no shares or debentures of Degem and its subsidiary companies have been issued or are proposed to be issued as fully or partly paid-up for cash or otherwise than for cash within the two (2) years preceding the date of this Prospectus.

16.2 Articles of Association

The following provisions are reproduced from the Company's Articles of Association. The definitions used in the Company's Articles of Association shall apply in the following extracts.

A. Transfer of securities

The provision in the Company's Articles of Association in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows:-

Article 22

Subject to the provisions of the Act and the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), all transfers of shares shall be effected by transfer in writing in the usual common forms approved by the Stock Exchange upon which the Company is listed.

Article 23

The transfer of any shares or class of shares of the Company which have been deposited with the Central Depository shall be by way of book entry by the Central Depository in accordance with the Rules. Notwithstanding Section 103 and 104 of the Act but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of shares.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (*cont'd*)

Article 24

The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine, PROVIDED that it shall not be suspended for more than thirty (30) days in any year and at least twelve (12) market days' notice of books closure shall be given to each Stock Exchange upon which the Company is listed, and advertised in a daily newspaper circulating in Malaysia and that the notice shall state the period for which the books will be closed and the purpose(s) for such closure. The Company shall give notice in accordance with the Rules of the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors.

Article 25

In the case of the death of a member, the executors or administrators of the deceased shall be the only person by the Company as having any title to his shares.

Article 26

- (A) Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon the production of such evidence as to his title as may from time to time be properly required by the Directors, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice signed by him stating that he so elects provided that where the share is a deposited security and the person becoming entitled elects to have the share transferred to him, the aforesaid notice must be served by him on the Central Depository. If he shall elect to have his nominee registered, he shall testify his election by executing a transfer of such share to his nominee. All the limitations, restrictions and provisions of these presents relating to the right to transfer shares and the registration of transfer thereof shall apply to any such notice as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer executed by that member Provided Always that where the share is a deposited security, a transfer of the shares pursuant to this Article 26 shall be made by a person becoming so entitled in accordance with the Rules, the Central Depositories Act and the KLSE Listing Requirements.
- (B) Where the registered holder of any share dies or becomes bankrupt his personal representative or the assignee of his estate, as the case may be, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf shall be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Company or to voting or otherwise) as the registered holder would have been entitled to if he had not died or become bankrupt.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

B. Directors' Remuneration

The provisions in the Company's Articles of Association in respect of remuneration of the Directors are as follows:-

Article 81

- (A) The fees of the Directors, who hold no executive office with the Company, for their services as Directors shall be determined by the Company by ordinary resolution at a general meeting. If the fees of each such non-executive Director is not specifically fixed by the Company in general meeting then the quantum of fees to be paid to each non-executive Director, within the overall limits fixed by the Company in general meeting, shall be decided by resolution of the full Board of Directors. In default of any decision being made in this respect by the full Board of Directors, the fees payable to the non-executive Directors office for part only of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or a percentage of profits or turnover.
- (B) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- (C) Executive Directors of the Company shall be remunerated in the manner referred to in Article 98 but such remuneration shall not include a commission on or a percentage of turnover.

Article 98

Subject to any other provisions of these presents, the remuneration of any Managing Director or Executive Director for his services as such shall be determined by the Directors and may be of any description.

C. Voting and Borrowing Powers of Directors

The provisions in the Company's Articles of Association dealing with voting and borrowing powers of the Directors in proposals, arrangements or contracts in which they are interested, the borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:-

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16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Article 93

- (A) The Directors may borrow or raise money from time to time for the Company and its subsidiaries or secure the payment of such sums as they think fit and may secure the repayment or payment of such sums by mortgage or charge upon all or any of the property or assets of the Company (both present and future) including its uncalled capital for the time being or by the issue of bonds, notes or debentures (whether at par or at a discount or premium) or other wise as they may think fit.
- (B) The Directors may exercise all the powers of the Company to guarantee the payment of money payable under contracts or obligations of any related company with or without securities.
- (C) The Directors shall not borrow any money or mortgage or charge any of the Company or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

D. Changes in Capital and Variation of Class Rights

The provisions of the Articles of Association of the Company in relation to the changes in capital or variation of class rights which are no less stringent than those required by law are as follows:-

Article 6

Whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class may, either with the consent in writing of the holders of three-fourths (3/4) of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise), be modified or abrogated, and be so modified or abrogated, either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate meeting all the provisions of these presents relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those persons who are present shall be a quorum) and that the holders of shares of the class shall, on a poll, have one (1) vote for every share of the class held by them respectively.

The repayment of preference capital other than redeemable preference, or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned, PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths (3/4) of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

Article 7

The special rights conferred upon the holders of any shares or class of shares issued with preferred or other special rights shall not unless otherwise expressly provided by the terms of issue of such shares be deemed to be modified by the creation or issue of further shares ranking *pari passu* therewith.

Article 39

The Company in general meeting may from time to time by ordinary resolution increase its capital by such sum, to be divided into shares of such nominal amounts, as the resolution shall prescribe.

Article 40

The Company may simultaneously with the resolution increasing the capital or at any time thereafter give any lawful directions as to the issue of the new shares. In default of any such direction, or so far as the same shall not extend, the new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

Article 41

- (A) The Company in general meeting may by ordinary resolution:-
- (1) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
 - (2) subdivide its shares, or any of them, into shares of smaller nominal amount than is specified in the Memorandum of Association (subject nevertheless to the provisions of Section 62(1)(d) of the Act), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares;
 - (3) cancel any shares which, at the date of the passing of the resolution have not been taken or agreed to be taken by any person or which have been forfeited, and diminish the amount of its capital by the amount of the shares so cancelled;
 - (4) subject to the provisions of the Act, convert any class of shares into any other class of shares.
- (B) The Company may also by special resolution reduce its share capital and any capital redemption reserve fund, share premium account or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

16.3 Listing Requirements of KLSE

The provisions of the Listing Requirements of KLSE, on the transferability of securities are as follows:

Chapter 7.13 - Transfers

The transfer of any listed security or class of listed security of the company, shall be by way of book entry by the Central Depository in accordance with the Rules of the Central Depository and, notwithstanding sections 103 and 104 of the Companies Act, 1965, but subject to subsection 107C(2) of the Companies Act, 1965 and any exemption that may be made from compliance with subsection 107C(1) of the Companies Act, 1965, the company shall be precluded from registering and effecting any transfer of the listed securities.

*Chapter 7.14 - Transmission of Securities from Foreign Register***(1) Where:-**

- (a) the securities of a company are listed on an Approved Market Place; and
- (b) such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act, 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,

such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as "**the Foreign Register**"), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as "**the Malaysian Register**") provided that there shall be no change in the ownership of such securities.

- (2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.

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16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

16.4 Companies Act

The provisions within the Companies Act on the transferability of securities are as follows:-

Section 103(1)

Notwithstanding anything in its articles, a company shall not register a transfer of shares or debentures unless a proper instrument of transfer in the prescribed form has been delivered to the company, but this subsection shall not prejudice any power to register as a shareholder or debenture holder any person to whom the rights to any shares in or debentures of the company has been transmitted by operation of law.

Section 103(1A)

Nothing in this section shall be construed as affecting the validity of any instrument which would be effective to transfer shares or debentures apart from this section; and any instrument purporting to be made in any form which was common or usual in use, or in any other form authorised or required for that purpose apart from this section before the commencement of this Act, shall be sufficient, whether or not it is completed in accordance with the prescribed form, if it complies with the requirements as to execution and contents which apply to a transfer.

Provided that a company shall be precluded from registering a transfer of shares or debentures, the title of which is evidenced by a certificate that is issued on or after the date of coming into operation of this subsection unless a proper instrument or transfer in the prescribed form has been delivered to the company.

Section 107C(1)

On or after the coming into operation of this section, the transfer of any securities or class of securities of a company whose securities or any class of whose securities have been deposited with a central depository shall be by way of book entry by the central depository and, notwithstanding sections 103 and 104, such company shall be precluded from registering and effecting any transfer of securities which have been deposited.

Section 107C(2)

Subsection (1) shall not apply to a transfer of securities to a central depository or its nominee company.

16.5 Rules of the MCD

The Rules within MCD on the transferability of securities are as follows:-

Rule 8.01 (2)

The Central Depository may, in its absolute discretion, reject a transfer request made by a depositor thereunder, where the reason for the said transfer does not fall within any of the approved reasons as stipulated under Rule 8.03 (1) (c).

Rule 8.05A

Transfers made by the authorised depository agent from the agent's principal or nominee account shall be subject to the Rules in this chapter.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Rule 9.03 (2)

It shall be the responsibility of the authorised depository agent, in processing the transfer between two securities accounts belonging to different depositors (hereinafter the transfer is referred to as "**the inter-account transfer**"), to check and ensure the completeness, accuracy and/or genuineness of the documents lodged as follows:-

- (a) the prescribed Form FTF010 (request for ordinary transfer securities form) or Form FTF015 (request for express transfer of securities form) fully and properly completed in triplicate;
- (b) the Transferring Depositor has executed the Transferor portion on the said form duly witnessed by another person (other than the Depositor's spouse);
- (c) the Transferring Depositor has stated his reason for the transfer and that the reason is or are amongst any of the approved reasons as stated herein below:-
 - (i) transmission and transfer of securities arising from the provisions of any written law or an order of court of competent jurisdiction;
 - (ii) rectification of errors;
 - (iii) pledge, charge or mortgage;
 - (iv) mandatory offer pursuant to the provisions of the Malaysian Code on Takeovers and Mergers 1998;
 - (v) any other circumstances as deemed fit by the Central Depository after consultation with the Securities Commission.
- (d) documents to support the reason for transfer;
- (e) such other accompanying documents duly processed in such manner as the Central Depository may from time to time determine in its Procedures Manual.

16.6 Directors and Substantial Shareholders

- 1 The names, addresses and occupations of the Directors are set out in Section 1 of this Prospectus.
- 2. A Director is not required to hold any qualification share in the Company or its subsidiary companies unless otherwise so fixed by the Company in the general meeting.
- 3. None of the existing Directors of the Company has any management contract with the Company or any of its subsidiary companies.
- 4. None of the Directors of the Company has any service contracts with the Company or its subsidiary companies which is not terminable by notice without payment or compensation.

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

5. No Director, Senior Executive Officer or person nominated to become a Director or Senior Executive Officer of Degem is or was involved in the following events:
- (a) a petition under any bankruptcy laws filed against such person or any partnership in which he was or is a partner or any corporation of which he was or is a Senior Executive Officer;
 - (b) a conviction in a criminal proceeding or is a named subject of a pending criminal proceeding;
 - (c) the subject of any order, judgement or ruling of any court, tribunal or governmental body of competent jurisdiction permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution or engaging in any type of business practice or activity; or
 - (d) has been disqualified by the Companies Act.
6. According to the Register of Directors' shareholdings as at 15 August 2001 (being the latest practicable date prior to the printing of this Prospectus), the beneficial interests of the Directors in the shares of the Company before and after the IPO are tabulated below:

	Before the IPO				After the IPO			
	No. of shares held				No. of shares held			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Chong Kai Sun @ Choong Kai Sun	-	-	24,500,001*	70.0	-	-	23,110,001#	55.0
Choong Kai Soon	-	-	24,500,001*	70.0	-	-	23,100,001*	55.0
Choong Kai Fatt	-	-	24,500,001*	70.0	-	-	23,100,001*	55.0
Choong Khoi Onn	-	-	24,500,001*	70.0	-	-	23,100,001*	55.0
Koh Eng Yeah	-	-	-	-	-	-	-	-
Tunku Mohd Patani bin Tunku Nong Jiwa	1,365,086	3.9	-	-	1,365,086	3.3	-	-
Hasan bin M Taib	6,999,999	20.0	-	-	6,999,999	16.7	-	-
Leou Thiam Lai	-	-	-	-	-	-	-	-
Chuah Teong Aung	-	-	-	-	-	-	-	-
Ahmad bin Habib	-	-	-	-	-	-	-	-

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.*

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

7. According to the Register of Substantial Shareholders as at 15 August 2001 (being the latest practicable date prior to the printing of this Prospectus), the substantial shareholders (with 5% or more shareholding, direct and indirect) of the Company before and after the IPO are as follows:

	Before the IPO				After the IPO			
	No. of shares held				No. of shares held			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Legion	24,500,001	70.0	-	-	23,100,001	55.0	-	-
Hasan bin M. Taib	6,999,999	20.0	-	-	6,999,999	16.7	-	-
Chong Kai Sun @ Choong Kai Sun	-	-	24,500,001*	70.0	-	-	23,110,001#	55.0
Choong Kai Soon	-	-	24,500,001*	70.0	-	-	23,100,001*	55.0
Choong Kai Fatt	-	-	24,500,001*	70.0	-	-	23,100,001*	55.0
Choong Khoi Onn	-	-	24,500,001*	70.0	-	-	23,100,001*	55.0
Choong Kay Cheong	-	-	24,500,001**	70.0	-	-	23,100,001**	55.0
Choong Sin Cheong	-	-	24,500,001**	70.0	-	-	23,100,001**	55.0
Lai Moi Foong	-	-	24,500,001^	70.0	10,000^^	0.02	23,100,001^	55.0
Liew Chin Fong	-	-	24,500,001~	70.0	-	-	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 her children's shareholding in Legion.

8. Save for the directors and major shareholders who are interested in the Acquisition, none of the other Directors or substantial shareholders is materially interested in any contract or arrangement that is significant in relation to the business of the Group.
9. Save as disclosed in this Prospectus, the Directors are not aware of any material information including trading factors or risks that are unlikely to be known or anticipated by the general public and which could materially affect the profits of Degem or its subsidiary companies.

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16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

16.7 General

1. The nature of the Group's business is described in Section 2 of this Prospectus. The names of all corporations which are deemed to be related to the Company by virtue of Section 6 of the Companies Act and their respective principal activities are set out under the same section of this Prospectus.
2. The time of the opening of the Application List is set out in Section 17.1 of this Prospectus.
3. The amount payable in full on application of the Offer/Public Issue is RM1.60 per share.
- 4(a) Underwriting commission is payable by the Company to the Joint Managing Underwriters and Underwriter at the rate of 1.5% of the issue price of RM1.60 per share on the Public Issue shares being underwritten. 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.
- (b) Brokerage will be paid at the rate of 1.0% of the offer/issue price of RM1.60 per share by the Company to Affin Merchant, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia and MIDFCCS in respect of successful Application Forms bearing their stamp.
- (c) The estimated expenses incidental to the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE amounting to approximately RM1.7 million shall be borne by the Company.
5. Save as disclosed in paragraph (4) above, no commission, discounts, brokerages or other special terms have been paid or granted within the two (2) preceding years of the date of this Prospectus or is payable by the Company within the two (2) years immediately preceding the date of this Prospectus in connection with the issue or sale of any capital of the Company or any of its subsidiaries for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any ordinary shares in or debentures of the Company or its subsidiaries and no Director or proposed Director or promoter or expert is entitled to receive any such payment.
6. No amount or benefit has been paid or given within the two (2) years preceding the date hereof, nor is it intended to be so paid or given, to any promoter, except for the remuneration received in the course of employment.
7. The Degem Group has not established a place of business outside Malaysia.
8. Save as disclosed in the consolidated profit forecast and assumptions of Degem in Section 14, the Directors are not aware of any material information including trading factors or risks, which are unlikely to be known or anticipated by the general public, and which could materially affect the profits of the Company or its subsidiary companies.
9. The financial conditions and operations of the Company and its subsidiaries are not affected by any of the following:

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

- (a) Known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Company's or the Group's liquidity increasing or decreasing in any material way;
 - (b) Material commitments for capital expenditure;
 - (c) Unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
 - (d) Known trends or uncertainties that have had or that the Company or the Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income of the Group.
- 10. As at the date of this Prospectus, the Company and its subsidiary companies do not have any convertible debt securities.
- 11. The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 17.2 of this Prospectus.
- 12. The name and address of the Auditors and Reporting Accountants of the Company are set out in Section 1 of this Prospectus.
- 13. None of the Directors or major shareholders are interested, directly or indirectly, in any business carrying on a similar trade as the Company and its subsidiaries.
- 14. No property has been acquired or is proposed to be acquired by the Company or its subsidiary companies in contemplation of the IPO.
- 15. There is no present intention on the part of the Directors of the Company to issue any part of the authorised but unissued share capital of the Company, except for the IPO Shares.

16.8 Material Contracts

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which have been entered into by the Company and its subsidiary companies within the two (2) years preceding the date of this Prospectus:-

- (a) Sale and Purchase Agreement dated 13 June 2000 made between Degem and Legion for the acquisition of 1,340,325 ordinary shares of RM1.00 each in P.Y.T. for a purchase consideration of RM27,345,712.00 to be satisfied through the issue of 24,499,999 new ordinary shares of RM1.00 each at an issue price of approximately RM1.12 each;
- (b) Sale and Purchase Agreement dated 13 June 2000 made between Degem and Hanafi bin. Abd. Rahman @ Ahmad, Hasan bin M. Taib, Datuk Ahmad Merican bin S.T. Merican and Tunku Mohd Patani bin Tunku Nong Jiwa for the acquisition of 574,425 ordinary shares of RM1.00 each in P.Y.T. for a purchase consideration of RM11,719,592.00 to be satisfied through the issue of 10,499,999 new ordinary shares of RM1.00 each at an issue price of approximately RM1.12 each;

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

- (c) Sale and Purchase Agreement dated 21 February 2001 entered into between Diamond Mart and Prudential Assurance Malaysia Berhad for the acquisition of the property, Geran 917, Lot No. 22619, Mukim of Kuala Lumpur, Daerah Kuala Lumpur, for a purchase consideration of RM3,650,000;
- (d) Sale and Purchase Agreement dated 21 February 2001 entered into between Diamond Mart and Prudential Assurance Malaysia Berhad for the acquisition of the property, Geran 918, Lot No. 22620, Mukim of Kuala Lumpur, Daerah Kuala Lumpur, for a purchase consideration of RM3,650,000; and
- (e) Underwriting Agreement dated 16 July 2001 between the Company, Affin Merchant and several underwriters identified therein for the underwriting of 6,300,000 Public Issue Shares for an underwriting commission of 1.5% of the issue price of RM1.60 per ordinary share.

16.9 Public Take-Overs

During the last financial year and the current financial year, there were:

- 1. no public take-over offers by third parties in respect of the Company's shares; and
- 2. no public take-over offers by the Company in respect of other companies' shares.

16.10 Consents

- 1. The written consents of the Adviser and Joint Managing Underwriter, Underwriters, Company Secretary, Principal Bankers, Issuing House, Registrar and Solicitors to the inclusion in this Prospectus of their names in the manner and form in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- 2. The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and letter relating to the consolidated profit forecast and proforma consolidated balance sheets in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- 3. The written consent of the World Gold Council to the inclusion in this Prospectus of the information found in the World Gold Council website in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

16.11 Documents Available for Inspection

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours for a period of twelve (12) months from the date of this Prospectus:

- 1 Memorandum and Articles of Association of Degem and its subsidiary companies;
- 2. The Reporting Accountants' letters relating to the consolidated profit forecast and proforma consolidated balance sheets as included in Sections 14.5 and 14.9 respectively of this Prospectus;

16. FURTHER STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

3. The Directors' Report and Accountants' Report as included in Sections 13 and 15 respectively of this Prospectus;
4. The material contracts referred to in section 16.8 of this Prospectus;
5. The letters of consent referred to in Section 16.10 of this Prospectus; and
6. The audited consolidated accounts of Degem and its subsidiary companies for the five (5) financial years ended 31 December 2000 and three (3) months period ended 31 March 2001.

16.12 Responsibility

1. Affin Merchant acknowledges that, to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts about the Offer for Sale and Public Issue and the Company and its subsidiary companies, and is satisfied that the consolidated profit forecast (for which the Directors are wholly and severally responsible for the correctness) have been stated by the Directors of the Company after due and careful inquiry.
2. This Prospectus has been seen and approved by the Directors of the Company and the Offeror and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which could make any statement herein misleading.

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17. PROCEDURE FOR APPLICATION AND ACCEPTANCE

17.1 Opening and Closing of Application Lists

The Application Lists 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 the Offeror in their absolute discretion may decide.

17.2 General Conditions for Application

The Applications shall be made in connection with and subject to the terms of this Prospectus and the Memorandum of Articles and Association of the Company.

(a) *Applications by the eligible employees of the Group*

Applications for the 2,100,000 Public Issue shares reserved for the eligible employees of the Degem Group must be made only on the **Pink** Application Forms provided and **NOT** on any other Application form or by way of Electronic Share Application through a Participating Financial Institution's ATM.

(b) *Applications by the Malaysian public*

Applications for the 4,200,000 Public Issue shares made available for application by the Malaysian public must be made on the **White** Application Forms provided or by way of Electronic Share Application through a Participating Financial Institution's ATM.

(c) *Applications by the Bumiputra Investors approved by MITI*

Applications for the 700,000 Public Issue shares and 1,400,000 Offer Shares reserved for Bumiputra Investors approved by MITI must be made only on the **White** Application Forms provided and **NOT** by way of Electronic Share Application through a Participating Financial Institution's ATM.

Directors and employees of MIDFCCS and their immediate family are strictly prohibited from applying for the Public Issue Shares.

Application for the IPO Shares must be made on the respective Application Forms issued together with this Prospectus and must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Form or by way of Electronic Share Application through a Participating Financial Institution's ATM. In accordance with Section 37(1) of the Companies Act, the Application Form together with the Notes and Instructions printed therein shall constitute an integral part of this Prospectus. Applications which do not **STRICTLY** conform to the terms of the Prospectus or the Application Form or Notes and Instructions therein or which are illegible will not be accepted.

Only one (1) Application can be made by each applicant. Multiple applications or those appearing to be suspected of being multiple applications will be rejected at the discretion of the Directors of the Company. Each Application must be for 1,000 ordinary shares or multiples thereof. The amount payable in full on application is RM1.60 per ordinary share. Persons submitting applications by way of Application Forms may not submit applications by way of Electronic Share Applications and vice versa. A corporation or institution cannot apply for shares by way of Electronic Share Application.

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

Completed Application Forms must be despatched by **ORDINARY POST** in the official envelopes provided to the Issuing House at the following address:

MIDF Consultancy and Corporate Services Sendirian Berhad
195A, Jalan Tun Razak
P.O. Box 11122
50736 Kuala Lumpur

so as to arrive not later than 8.00 p.m. on 10 September 2001.

IN THE CASE OF AN INDIVIDUAL APPLICANT OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME, NATIONAL REGISTRATION IDENTITY CARD NUMBER AND ADDRESS OF THE APPLICANT MUST BE EXACTLY THE SAME AS STATED IN:-

- (a) (i) THE APPLICANT'S IDENTITY CARD (NRIC);
 - (ii) CHANGE OF ADDRESS CARD (RESIT PENUKARAN KAD PENGENALAN JPN1/22); OR
 - (iii) THE APPLICANT'S RESIT PENGENALAN SEMENTARA (JPN 1/9) ISSUED PURSUANT TO PERATURAN 5(5), PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; AND
- (b) THE RECORDS OF MCD, IF ANY.

WHERE THE APPLICANT IS A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME AND THE ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT STATED IN HIS AUTHORITY CARD AND THE ADDRESS OF THE APPLICANT MUST BE THE ADDRESS OF THE APPLICANT'S RESPECTIVE CAMP/BASE/STATION.

IN THE CASE OF A CORPORATE/INSTITUTIONAL APPLICANT, THE NAME AND THE CERTIFICATE OF INCORPORATION NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT IN THE APPLICANT'S CERTIFICATE OF INCORPORATION AND THE ADDRESS MUST BE EXACTLY THE SAME AS THE REGISTERED ADDRESS.

No acknowledgement of the receipt of Application Forms or application monies will be made by the Company.

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17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

17.3 Applications and Acceptances

The Directors of the Company reserve the right not to accept any application which do not strictly comply with the instructions or to accept any application in part only without assigning any reason thereof.

THE SUBMISSION OF AN APPLICATION FORM DOES NOT NECESSARILY MEAN THAT THE APPLICATION WILL BE SUCCESSFUL.

ALL APPLICATIONS MUST BE FOR 1,000 ORDINARY SHARES OR MULTIPLE THEREOF.

In the event of an over-subscription, acceptance of applications shall be subject to ballot to be conducted in a manner as approved by the Directors. Due consideration will be given to the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view to broadening the shareholding base of the Company and to establish an adequate market in Degem shares. Acceptance of application will be made in a manner so as to comply with the SC's shareholding spread requirements that at least 25% but not more than 50% of the issued and paid-up capital is in the hands of public shareholders and a minimum number of 750 public shareholders (at least 500 of which should not be employees of the Group) holding not less than 1,000 each shares upon completion of the Offer/Public Issue and at the point listing. Applicants will be selected in a manner to be determined by the Directors of Degem. However, in the event that the above requirement is not met pursuant to this Public Issue, the Company may not be allowed to proceed with its listing plan.

In the event of an under-subscription by the Malaysian public, all the ordinary shares not applied for will be made available for subscription proportionately by the underwriters. Any shares not subscribed by the eligible employees of the Group will be made available for application by the Malaysian public.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE RETURNED WITHOUT INTEREST AND SHALL BE DESPATCHED BY ORDINARY POST OR REGISTERED POST RESPECTIVELY TO THE APPLICANT WITHIN TWENTY-ONE (21) DAYS FROM THE DATE OF THE FINAL ALLOTMENT OF THE APPLICATION LISTS AT THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

MIDFCCS RESERVES THE RIGHT TO BANK IN ALL APPLICATION MONIES FROM UNSUCCESSFUL BUMIPUTERA APPLICANTS AND FROM PARTIALLY SUCCESSFUL APPLICANTS. REFUND MONIES IN RESPECT OF UNSUCCESSFUL BUMIPUTERA APPLICANTS AND PARTIALLY SUCCESSFUL APPLICANTS WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED BY REGISTERED POST TO THE APPLICANT WITHIN TWENTY-ONE (21) DAYS FROM THE DATE OF THE FINAL ALLOTMENT OF THE APPLICATION LISTS AT THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES BEING PRESENTED FOR PAYMENT.

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

17.4 CDS Accounts

Pursuant to Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in the ordinary shares of Degem will be by book entries through CDS account. No share certificates will be issued to successful applicants.

In the case of an application by way of an Application Form, an applicant should state his CDS account number in the space provided on the Application Form if he presently has such an account. Where an applicant does not currently have a CDS account, he should state in the Application Form his preferred ADA Code in the space provided. A list of the ADA Codes is given in Section 17.7 of this Prospectus. Where an applicant already has a CDS account, the applicant **should not** complete the preferred ADA Code.

If a successful applicant fails to state either his CDS account number or the preferred ADA Code, the Company may, in the exercise of its absolute discretion, instruct MIDFCCS to insert a preferred ADA Code on the Application Form and further instruct MCD to open a CDS account on the applicant's behalf at the specified ADA and credit the shares allotted to the successful applicant into the successful applicant's CDS account.

In the case of an application by way of Electronic Share Application, only an applicant who has a CDS account can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institution or by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so.

Failure to comply with these specific instructions as the Electronic Share Application requires or inaccuracy in the CDS account number or preferred ADA Code, may result in the Application being rejected. The Directors reserve the right to reject any incomplete and inaccurate Application. Applications may also be rejected if the applicants' particulars provided in their Application Forms, or in the case of Electronic Share Applications, if the records of the Participating Financial institutions at the time of making the Electronic Share Applications differ from those in MCD's records, such as the identity card numbers, names and nationalities.

17.5 Notice of Allotment

Shares allotted to all successful applicants will be credited to their respective CDS accounts. A notice of successful allotment will be despatched to the successful applicant at his address shown in the Application Form at the applicant's own risk within thirty (30) days after the final allotment of the application. This is the only acknowledgement of acceptance of the application.

17.6 Formalising CDS Accounts

Successful applicants whose CDS accounts have been opened by MCD at their preferred ADA are required to formally open their accounts by submitting to the ADA the necessary documents and the account opening fee. No transaction of shares credited to the account can be effected until the accounts have been formally opened.

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE (cont'd)**17.7 List of ADAs**

A list of ADAs and their respective Broker codes is as follows:-

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR		
Affin-UOB Securities Sdn Bhd (431338-P)	Level 3, Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Tel No: 03-2438668	028-001
Allied Avenue Assets Securities Sdn Bhd (682-X) <i>(formerly known as MGI Securities Sdn Bhd)</i>	1st & 2nd Floor, Wisma MGIC 38 Jalan Dang Wangi 50100 Kuala Lumpur Tel No: 03-26911889	052-001
Arab-Malaysian Securities Sdn Bhd (92977-U)	15 th Floor, Bangunan Arab-Malaysian 55 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2382788	086-001
BBMB Securities Sdn Bhd (164534-K)	Level 2 & 3, Menara Olympia Letter Box No. 2 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2019900	099-001
BIMB Securities Sdn Bhd (290163-X)	1st & 2nd Floor, Podium Block Bangunan AMDB 1, Jalan Lumut 50400 Kuala Lumpur Tel No: 03-40433533	024-001
CIMB Securities Sdn Bhd (163712-V)	9th Floor, Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur Tel No: 03-2532288	065-001
Fima Securities Sdn Bhd (210959-K)	No. 45-14, Plaza Level & Level 1 Plaza Damansara Jalan Medan Setia Satu Damansara Heights 50490 Kuala Lumpur Tel No: 03-2549966	018-001

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR (Cont'd)		
HLG Securities Sdn Bhd (12855-D)	Level 1, Wisma Kia Peng No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No: 03-21681168	066-001
Inter Pacific Securities Sdn Bhd (12738-U)	Level 7, Menara Shahzan Insas 30, Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-2441888	054-001
Jupiter Securities Sdn Bhd (48703-W)	7th - 9th Floor Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No. 03-2041888	055-001
Kuala Lumpur City Securities Sdn Bhd (126994-W)	Lot 3.07, Level 3 Bangunan Angkasa Raya Jalan Arnpang 50450 Kuala Lumpur Tel No: 03-2449322	076-001
K & N Kenanga Bhd (15678-H)	8th Floor, Kenanga International 801, Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-2613066	073-001
Leong & Co Sdn Bhd (8789-P)	Level 18, Wisma. Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No: 03-2928888	061-001
Mayban Securities Sdn Bhd (165630-M)	30th Floor, Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel No: 03-2323822	098-001
MIDF Sisma Securities Sdn Bhd (423833-U)	17th & 18th Floor Empire Tower 182, Jalan Tun Razak 50400 Kuala Lumpur Tel No: 03-2668888	026-001
OSK Securities Bhd (14152-V) <i>(formerly known as O.S.K. Securities Bhd)</i>	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No: 03-21624388	056-001

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE (cont'd)

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR (Cont'd)		
PB Securities Sdn Bhd (20027-W)	27th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No: 03-2013011	051-001
Pengkalen Securities Sdn Bhd (66299-A)	Ground Floor & 1st Floor Menara Pengkalen <i>(formerly known as Wisma Pekerti)</i> No.2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No: 03-2448055	064-001
Rashid Hussain Securities Sdn Bhd (95060-A)	10 th Floor, RHB 1 424, Jalan Tun Razak 50400 Kuala Lumpur Tel No: 03-9852233	087-001
KAF-Seagroatt & Campbell Sdn Bhd (13463 1-U)	26-30th floor The Weld Tower 76, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2081600	053-001
Sime Securities Sdn Bhd (165878-V)	21st Floor, Bangunan Sime Bank Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No: 03-22749288	097-001
TA Securities Berhad (16029-V)	TA One Tower 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No: 03-2321277	074-001

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17. PROCEDURE FOR APPLICATION AND ACCEPTANCE (cont'd)

Name	Address and Telephone Number	Broker Code
SELANGOR DARUL EHSAN		
Amsteel Securities (M) Sdn Bhd (51253-A)	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Kelang Selangor Darul Ehsan Tel No: 03-33439999	080-001
Hwang-DBS Securities Berhad (14389-U)	18th - 20th Floor, Plaza Masalam 2, Jalan Tengku Ampuan Zabedah E9/E, Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No: 03-55133288	068-002
JF Apex Securities Sdn Bhd (47680-X)	3rd Floor, Wisma Apex 145A-C, Jalan Bukit P.O. Box 16 43007 Kajang Selangor Darul Ehsan Tel No: 03-87361118	079-001
JF Apex Securities Sdn Bhd (47680-X) (Petaling Jaya Branch)	68, Jalan 52/6, New Tower Centre P.O.Box 561 46770 Petaling Jaya Tel No: 03-7555777	079-002
Mohaiyani Securities Sdn Bhd (140238-A)	2nd & 3rd Floor Plaza Damansara Utama No. 2, Jalan SS21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No: 03-77297345	095-001
SJ Securities Sdn Bhd (141671-T)	Level 3, Holiday Villa 9, Jalan SS 12/1, Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan Tel No: 03-7340202/101	096-001

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17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

Name	Address and Telephone Number	Broker Code
MELAKA		
Malacca Securities Sdn Bhd (16121-H)	No. 1, 3 & 5, Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang P.O. Box 248 75250 Melaka Tel No: 06-3371533	012-001
OSK Securities (Melaka) Sdn Bhd (18884-P)	580-581 A&B Taman Melaka Raya 75000 Melaka Tel No: 06-2825211	072-001
Straits Securities Sdn Bhd (74070-T)	Lot 9 & 10, 1st Floor Bangunan Tabung Haji Jalan Bandar Kaba 75000 Melaka Tel No: 06-2833622	011-001
PERAK DARUL RIDZUAN		
Botly Securities Sdn Bhd (14948-M)	1st Floor, Plaza Teh Teng Seng 227, Jalan Kampar 30250 Ipoh Perak Darul Ridzuan Tel No: 05-2531313	058-001
Kin Khoo & Co Sdn Bhd (17816-P)	23&25, Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan Tel No: 05-2543311	017-001
M&A Securities Sdn Bhd (15017-H)	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No: 05-2419800	057-001

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17. PROCEDURE FOR APPLICATION AND ACCEPTANCE (cont'd)

Name	Address and Telephone Number	Broker Code
PERAK DARUL RIDZUAN (Cont'd)		
Phileo Allied Securities Sdn Bhd (25397-M)	55-57, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2558233	071-001
SBB Securities Sdn Bhd (100518-M)	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2530888	090-001
Hwang-DBS Securities Sdn Bhd (14389-U) (Taiping Branch)	21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No: 05-8060888	068-003
OSK Securities Bhd (14152-V) (Ipoh Branch)	Wisma Premier Capital 21-25, Jalan Seenivasagam 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2415 100	056-002
PULAU PINANG		
A.A. Anthony & Company Sdn Bhd (13622-K)	No. 41-1-1 & 41-2-1 Jalan Cantonment, 10250 Pulau Pinang Tel No: 04-2299318	014-001
Hwang-DBS Securities Sdn Bhd (14389-U)	Levels 2, 3, 4, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No: 04-2636996	068-001
Ke-Zan Securities Sdn Bhd (89986-P)	2nd, 3rd & 4th Floor Wisma Ke-Zan 64, Bishop Street 10200 Pulau Pinang Street Tel No: 04-2634222	085-001
Mercury Securities Sdn Bhd (113193-W)	2nd Floor, Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Tel No: 04-3322123	093-001

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

Name	Address and Telephone Number	Broker Code
PULAU PINANG (Cont'd)		
Smith Zain Securities Sdn Bhd (13901-H)	7th & 8th Floor, Wisma PSCI 39, Jalan Sultan Ahmad Shah 10500 Pulau Pinang Tel No: 04-2005134	016-001
Soon Theam Securities Sdn Bhd (14147-K)	111, Jalan Macalister 10400 Pulau Pinang Tel No: 04-2281868	060-001
Thong & Kay Hian Securities Sdn Bhd (14592-P)	Level 5 & 6, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No: 04-2635481	070-001
UT Securities Sdn Bhd (20710-W)	Level 12, Mayban Trust Building 3, Penang Street 10200 Pulau Pinang Tel No: 04-2623751	059-001
KEDAH DARUL AMAN		
Alor Setar Securities Sdn Bhd (123654-H)	Lot T-30, 2nd Floor Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No: 04-7318205	094-001
PERLIS INDRA KAYANGAN		
Upen Securites Sdn Bhd (254920-D)	2nd Floor, Podium Block Bangunan KWSP 01000 Kangar Perlis Indra Kayangan Tel No: 04-9766315	023-001
NEGERI SEMBILAN DARUL KHUSUS		
Pan Malaysia Equities Sdn Bhd (228587-U)	2nd, 9th & 10th Floor Bangunan Yayasan Negeri Sembilan Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-7638999	084-001
Malpac Securities Sdn Bhd (159143-V) <i>(formerly known as Seremban Securities Sdn Bhd)</i>	1st & 2nd Floor 19-21, Jalan Kong Sang P.O. Box 238 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-7623131	063-001

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE (cont'd)

Name	Address and Telephone Number	Broker Code
JOHOR DARUL TAKZIM		
Eng Securities Sdn Bhd (53333-T)	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No: 07-2231211	081-001
JB Securities Sdn Bhd (17812-U)	Level 6, 7 & 8, Menara Sarawak Enterprise No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No: 07-332000/3332800	078-001
Hwang-DBS Securities (Johor Bahru) Sdn Bhd (430550-H)	Podium 2A & 3, Menara Ansar 65, Jalan Trus 80000 Johor Bahru Johor Darul Takzim Tel No: 07-2222692	027-001
Kestrel Securities Sdn Bhd (97150-A) (Formerly known as MBF Securities Sdn Bhd)	57,59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No: 06-9532222	088-001
Peninsula Securites Sdn Bhd (57258-V)	Level 2, Menara Pelangi Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-3333600	077-001
South Johor Securities Sdn Bhd (53647-D)	3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No: 07-4317033	069-001
PAHANG DARUL MAKMUR		
Kuala Lumpur City Securities Sdn Bhd (126994-W)	A-397, A-399 & A-401 Taman Sri Kuantan III Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No: 09-5660800	076-002
KELANTAN DARUL NAIM		
Kota Bharu Securities Sdn Bhd (15629-M)	298 Jalan Tok Hakim 15000 Kota Bahru Kelantan Darul Naim Tel No: 09-7432288	075-001

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

Name	Address and Telephone Number	Broker Code
TERENGGANU DARUL IMAN		
FA Securities Sdn Bhd (251711-V)	3rd Floor, Wisma UMNO Jalan Masjid Abidin 20100 Kuala Terengganu Terengganu Darul Iman Tel No: 09-6238128	021-001
PTB Securities Sdn Bhd (425317-T)	1st, 2nd & 3rd Floors No. 61, Jalan Sultan Ismail Peti Surat 151, Pejabat Pos Besar 20700 Kuala Terengganu Terengganu Darul Iman Tel No: 09-6235546	025-001
SARAWAK		
Sarawak Securities Sdn Bhd (219322-W)	Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No: 082-338000	019-001
Sarawak Securities Sdn Bhd (Miri Branch) (219322-W)	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No: 085-435577	019-002
Borneo Securities Sdn Bhd (444034-M)	12G, Jalan Kampong Datu 96000 Sibu Sarawak Tel No: 085-319998	030-001
SABAH		
Innosabah Securities Sdn Bhd (194990-K)	11, Equity House, Block K Kompleks Sadong Jaya Karamunsing 88 100 Kota Kinabalu, Sabah Tel No: 6088-234099/090	020-001
WILAYAH PERSEKUTUAN LABUAN		
Sharetech Securities Sdn Bhd (239683-W) <i>(formerly known as Labuan Securities Sdn Bhd)</i>	Unit 7A, 7th Floor, Financial Park Jalan Merdeka 87000 Wilayah Persekutuan Labuan Tel No: 087-451666	022-001

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE (cont'd)

17.8 Terms and Conditions for Applications Using Application Forms

Applications by way of Application Forms shall be made on, and subject to, the terms and conditions appearing below:-

1. Application for the IPO Shares must be made on the Application Form issued together with this Prospectus and must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 37(l) of the Companies Act, 1965, the Application Form together with the Notes and Instructions printed therein shall constitute an integral part of this Prospectus. Applications which do not STRICTLY conform to the terms of this Prospectus or Application Form or Notes and Instructions printed therein or which are illegible will not be accepted.
2. EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY EITHER:
 - (A) BANKER'S DRAFT OR CASHIER'S ORDER PURCHASED WITHIN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
 - (B) CHEQUES ISSUED BY PARTICIPATING LICENSED FINANCE COMPANIES IN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
 - (C) MONEY ORDER (FOR APPLICANTS FROM SABAH AND SARAWAK ONLY); OR
 - (D) GUARANTEED GIRO ORDER (GGO) FROM BANK SIMPANAN NASIONAL BERHAD, (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
 - (E) ATM STATEMENT OBTAINED FROM EITHER:
 - ALLIANCE BANK MALAYSIA BERHAD (Company No: 88103-W) (formerly known as Multi-Purpose Bank Berhad);
 - ARAB-MALAYSIAN BANK BERHAD (Company No: 295576-U);
 - ARAB-MALAYSIAN FINANCE BERHAD (Company No: 5493-X);
 - AFFIN-ACF FINANCE BERHAD (Company No: 6521-U);
 - BUMIPUTRA-COMMERCE BANK BERHAD (Company No: 13491-P);
 - BANK UTAMA (MALAYSIA) BERHAD (Company No: 27714-A);
 - EON BANK BERHAD, (Company No: 92351-V);
 - EON FINANCE BERHAD (Company No: 9692-K);
 - HONG LEONG BANK BERHAD (Company No: 97141-X);
 - HONG LEONG FINANCE BERHAD (Company No: 7797-V);
 - MALAYAN BANKING BERHAD (Company No: 3813-K);

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- MAYBAN FINANCE BERHAD (Company No: 3905-T);
- MBF FINANCE BERHAD (Company No: 8515-D);
- PUBLIC BANK BERHAD (Company No: 6463-H);
- PUBLIC FINANCE BERHAD (Company No: 6471-U);
- RHB BANK BERHAD (Company No: 6171-M);
- SOUTHERN BANK BERHAD (Company No: 5303-W); OR
- UNITED MERCHANT FINANCE BERHAD (Company No: 3838-T).

AND MUST BE MADE OUT IN FAVOUR OF **“MIDF SHARE ISSUE ACCOUNT NO. 516”** CROSSED **“A/C PAYEE ONLY”** (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT (EXACTLY THE SAME AS THAT ON THE APPLICATION FORM).

APPLICATIONS ACCOMPANIED BY ANY MODE OF PAYMENTS OTHER THAN THOSE STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCE WILL NOT BE ACCEPTED. DETAILS OF REMITTANCE MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED ON THE APPLICATION FORM.

3. 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 HIS APPLICATION FORM HIS PREFERRED ADA CODE.
4. THE NAME AND ADDRESS OF THE APPLICANT (AS EXACTLY STATED ON THE APPLICATION FORM) MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, ATM STATEMENT, MONEY ORDER, CHEQUES ISSUED BY PARTICIPATING LICENSED FINANCE COMPANIES OR GUARANTEED GIRO ORDER (GGO) FROM BANK SIMPANAN NASIONAL.
5. The Directors of the Company reserve the right to require any successful applicant to appear in person at the registered office of MIDFCCS within fourteen (14) days of the date of the notice issued to him/her to ascertain the regularity or propriety of the application. The Directors of the Company shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
6. The Directors of the Company reserve the right to reject applications which do not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
7. The Directors of the Company reserve the right not to accept any application or accept any application in part only without assigning any reason therefor. Due consideration will be give to the desirability of allotting or allocating the shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
8. Where an application is not accepted, the full amount of the application monies, without interest, will be returned and shall be despatched to the applicant within twenty one (21) days from the date of the final allotment of the Application Lists by registered post at the address shown on the Application Form at the applicant's own risk.

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

9. MIDFCCS reserves the right to bank in all application monies from unsuccessful Bumiputra applicants and partially-successful applicants, which would subsequently be refunded without interest by registered post.
10. PLEASE DIRECT ALL ENQUIRIES IN RESPECT OF THE FORM OF APPLICATION TO MIDFCCS.

17.9 Terms and Conditions for Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "Steps"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set out in "Steps for Electronic Share Application through a Participating Financial Institution's ATM" in Section 17.10 of this Prospectus. The Steps set out the actions that the applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application. Any reference to the "applicant" in the terms and conditions for Electronic Share Applications and the Steps shall mean the applicant who applies for shares through an ATM of any of the Participating Financial Institutions.

In the case of Electronic Share Applications, only an applicant who is an individual with a CDS account is eligible to utilise the facility.

The applicant must have an existing bank account with, and be an ATM cardholder of, one of the Participating Financial Institutions before he can make an Electronic Share Application at an ATM of that Participating Financial Institution. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of his Electronic Share Application transaction, the applicant will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of his Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application at the ATM or any data relating to such an Electronic Share Application by the Offeror, Company or MIDFCCS. The Transaction Record is for retention by the applicant and should not be submitted with any Application Form.

Upon the closing of the offer for the application for the Public Issue Shares on 10 September 2001 at 8.00 p.m ("Closing Date and Time"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for the Public Issue Shares to MIDFCCS as soon as practicable but not later than 12.00 p.m. of the 2nd business day after the Closing Date and Time.

An applicant will be allowed to make an Electronic Share Application for shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which he has an account and its branches, subject to the applicant making only one application. An applicant who has a bank account with a Participating Financial Institution and has been issued an ATM card will be allowed to apply for shares via an ATM of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to the applicant making only one application.

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

AN APPLICANT MUST ENSURE THAT HE USES HIS OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. AN APPLICANT OPERATING A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION MUST ENSURE THAT HE ENTERS HIS OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO HIM IN HIS OWN NAME. HIS APPLICATION WILL BE REJECTED IF HE FAILS TO COMPLY WITH THE FOREGOING.

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained in Section 17.9 as well as the terms and conditions appearing below:-

- (a) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of the Company.
- (b) The applicant is required to confirm the following statements (by depressing predesignated keys or buttons on the ATM keyBoard) and undertake that the following information given is true and correct:-

- ☒ I have attained 18 years of age as at the closing date of the share application
- ☒ I am a Malaysian citizen residing in Malaysia
- ☒ I have read the relevant Prospectus and understood and agreed with the terms and conditions of this application.
- ☒ This is the only application that I am submitting.
- ☒ I hereby give consent to the Participating Financial Institution and MCD to disclose information pertaining to myself and my account with the Participating Financial Institution and MCD to MIDFCCS and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless the applicant completes all the steps required by the Participating Financial Institution. By doing so, the applicant shall be treated as signifying his confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act 1989 and Section 45 of the Securities Industry (Central Depositories) Act 1991 to the disclosure by the relevant Participating Financial Institution or MCD, as the case may be, of any of the applicant's particulars to MIDFCCS, or any relevant regulatory bodies.

- (c) THE APPLICANT CONFIRMS THAT HE IS NOT APPLYING FOR SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC SHARE APPLICATION THAT HE MAKES IS MADE BY HIM AS BENEFICIAL OWNER. THE APPLICANT SHALL ONLY MAKE ONE ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATIONS FOR THE PUBLIC ISSUE SHARES, WHETHER AT THE ATMS OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS.

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (d) The applicant must have sufficient funds in his account with the relevant Participating Financial Institution at the time he makes his Electronic Share Application, failing which his Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.
- (e) The applicant agrees and undertakes to subscribe for or purchase and to accept the number of shares applied for as stated on the Transaction Record or any lesser number of shares that may be allotted or allocated to him in respect of his Electronic Share Application. In the event that the Company decides to allot or allocate any lesser number of such shares or not to allot or allocate any shares to the applicants, the applicant agrees to accept any such decision as final. If the applicant's Electronic Share Application is successful, his confirmation (by his action of pressing the designated key on the ATM) of the number of shares applied for shall signify, and shall be treated as, his acceptance of the number of shares that may be allotted or allocated to him and to be bound by the Memorandum and Articles of Association of the Company.
- (f) The Company reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
- (g) Where an Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful applications. Where an Electronic Share Application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest into the applicant's account with that Participating Financial Institution within two (2) market days after the receipt of confirmation from MIDFCCS. MIDFCCS shall inform the Participating Financial Institutions of the non- successful or partially successful applications within two (2) market days of the balloting date. The applicants may check their accounts on the fifth market day from the balloting date.

Where an Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into the applicant's account with the participating Financial Institution within two (2) market days after the receipt of confirmation from MIDFCCS. A number of applications will, however, be held in reserve to replace any successfully balloted applications which are subsequently rejected. For such applications which are subsequently rejected, the application monies without interest will be refunded to applicants by MIDFCCS by way of cheques issued by MIDFCCS. The cheques will be issued not later than 21 days from the day of the final allotment of the application list.

Should applicants encounter any problems in their applications, they may refer to the Participating Financial Institutions.

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (h) The applicant requests and authorises the Company:-
 - (i) to credit the shares allotted or allocated to the applicant into the CDS account of the applicant; and
 - (ii) to issue share certificate(s) representing such shares allotted or allocated in the name of MCD Nominees Sdn Bhd and send the same to MCD.
- (i) The applicant, acknowledging that his Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond the control of the Company, MIDFCCS or the Participating Financial Institution, irrevocably agrees that if :-
 - (i) the Company or MIDFCCS does not receive the applicant's Electronic Share Application; and
 - (ii) data relating to the applicant's Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to the Company or MIDFCCS,

the applicant shall be deemed not to have made an Electronic Share Application and the applicant shall not claim whatsoever against the Company, MIDFCCS or the Participating Financial Institutions for the shares applied for or for any compensation, loss or damage.
- (j) All particulars of the applicant in the records of the relevant Participating Financial Institution at the time he makes his Electronic Share Application shall be deemed to be true and correct and the Company, MIDFCCS and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (k) The applicant shall ensure that his personal particulars as recorded by both MCD and the relevant Participating Financial Institution are correct and identical. Otherwise, his Electronic Share Application is liable to be rejected. The applicant must inform MCD promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to his registered address last maintained with MCD.
- (l) By making and completing an Electronic Share Application, the applicant agrees that:-
 - (i) in consideration of the Company agreeing to allow and accept the making of any application for shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, his Electronic Share Application is irrevocable;
 - (ii) the Company, the Participating Financial Institutions, MCD and MIDFCCS shall not be liable for any delays, failures or inaccuracies in the processing of data relating to his Electronic Share Application to the Company due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (iii) notwithstanding the receipt of any payment by or on behalf of the Company, the acceptance of the offer made by the applicant to subscribe for and purchase the shares for which the applicant's Electronic Share Application has been successfully completed shall be constituted either by the issue of notices of successful allotment for prescribed securities, in respect of the said shares;
- (iv) the applicant irrevocably authorises MCD to complete and sign on his behalf as transferee or renounce any instrument of transfer and / or other documents required for the issue or transfer of the shares allotted or allocated to the applicant; and
- (v) the Company agrees that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or the Electronic Share Application Scheme and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that the Company irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (m) The Directors of the Company reserve the right to require any successful applicant to appear in person at the registered office of MIDFCCS within fourteen (14) days of the date of the notice issued to him to ascertain the regularity or propriety of the application. The Directors of the Company shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
- (n) The Directors of the Company reserve the right to reject applications which do not conform to these instructions.
- (o) Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:-
 - ARAB-MALAYSIAN BANK BERHAD (Company No: 295576-U)
 - ARAB-MALAYSIAN FINANCE BERHAD (Company No: 5493-X)
 - BUMIPUTRA-COMMERCE BANK BERHAD (Company No: 13491-P) (at selected branches in the Klang Valley only)
 - HSBC BANK MALAYSIA BERHAD (Company No: 127776-V) *(formerly known as Hongkong Bank Malaysia Berhad)*
 - MALAYAN BANKING BERHAD (Company No: 3813-K)
 - MAYBAN FINANCE BERHAD (Company No: 3905-T)
 - OCBC BANK (MALAYSIA) BERHAD (Company No: 5493-X)
 - STANDARD CHARTERED BANK MALAYSIA BERHAD (Company No: 115793-P) (at selected branches only)
- (p) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institutions.

17. PROCEDURE FOR APPLICATION AND ACCEPTANCE *(cont'd)*

17.10 Steps for Electronic Share Application through a Participating Financial Institution's ATM

- (a) Applicant must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account.
- (b) Applicant must have a CDS account.
- (c) Applicant is to apply for the initial public share offering via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application is set out in Section 17.9 under the Terms and Conditions for Electronic Share Applications. Applicant is to enter at least the following information through the ATM where the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so:-
 - ☒ Personal Identification Number (PIN)
 - ☒ Share Issue Number
 - ☒ CDS account number
 - ☒ Number of Shares applied for and/or the Ringgit amount to be debited from the account
 - ☒ Confirmation of several mandatory statements.

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