

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

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

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

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

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

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

---

**INDICATIVE TIMETABLE**

---

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

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

[The remainder of this page is intentionally left blank]

---

**DEFINITIONS**


---

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

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

**DEFINITIONS** *(Cont'd)*

MIDFCCS	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)						
MITI	:	Ministry of International Trade and Industry						
NTA	:	Net tangible assets						
NTL	:	Net tangible liabilities						
Offeror	:	The following shareholder of Degem who will offer its shares for sale:						
		<table border="0"> <thead> <tr> <th style="text-align: center;">Shareholder</th> <th style="text-align: center;">No. of Degem Shares offered for sale</th> <th style="text-align: center;">% of enlarged share capital</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Legion</td> <td style="text-align: center;">1,400,000</td> <td style="text-align: center;">3.33</td> </tr> </tbody> </table>	Shareholder	No. of Degem Shares offered for sale	% of enlarged share capital	Legion	1,400,000	3.33
Shareholder	No. of Degem Shares offered for sale	% of enlarged share capital						
Legion	1,400,000	3.33						
Offer for Sale or Offer	:	The offer for sale by the Offeror of 1,400,000 ordinary shares of RM1.00 each in Degem at an offer price of RM1.60 per share to Bumiputra investors approved by MITI						
Offer Shares	:	The 1,400,000 new ordinary shares of RM1.00 each in Degem to be offered pursuant to the Offer for Sale						
P-Ampang	:	P.Y.T. Jewellers (Ampang) Sdn Bhd (496161-H), a 90% owned subsidiary of P.Y.T.						
P-Manufacturing	:	P.Y.T. Manufacturing Sdn Bhd (221640-K), a wholly-owned subsidiary of Tong Yek						
P-Medal	:	P.Y. Medal Mfg (M) Sdn Bhd (147184-U), a wholly-owned subsidiary of P.Y.T.						
P-Jewellers	:	P.Y.T. Jewellers Sdn Bhd (222970-V), a wholly-owned subsidiary of P.Y.T.						
Participating Financial Institution(s)	:	Refers to the Participating Financial Institutions for Electronic Share Applications as listed in Section 17.9 of this Prospectus						
PE Multiple	:	Price-earnings multiple						
Public Issue	:	The public issue by Degem of 7,000,000 new ordinary shares of RM1.00 in Degem at an issue price of RM1.60 per new ordinary share to Bumiputra investors approved by MITI, the eligible employees of the Degem Group and the Malaysian public						
Public Issue Shares	:	The 7,000,000 new ordinary shares of RM1.00 each in Degem to be issued pursuant to the Public Issue						
P.Y.T.	:	P.Y.T. Jewel & Time Sdn Bhd (92171-U), a wholly-owned subsidiary of Degem						
P.Y.T. Group	:	P.Y.T. and its subsidiaries						
RM and sen	:	Ringgit Malaysia and sen respectively						
ROC	:	Registrar of Companies						

---

**DEFINITIONS** *(Cont'd)*

---

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

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

[The remainder of this page is intentionally left blank]

---

**TABLE OF CONTENTS**


---

	<b>Page</b>
<b>1. CORPORATE INFORMATION</b>	<b>1</b>
<b>2. INFORMATION SUMMARY</b>	<b>5</b>
2.1 History and Activity	5
2.2 Promoters, Directors, Major Shareholders and Key Management	7
2.3 Financial Highlights	10
2.4 Proforma Consolidated Balance Sheets of Degem	12
2.5 Audit Qualification in the Audited Accounts for the Past Five (5) Financial Years	13
2.6 Principal Statistics Relating to the IPO	14
2.7 Summary of Risk Factors	16
2.8 Utilisation of Proceeds	16
2.9 Material Litigation, Capital Commitments and Contingent Liabilities	17
<b>3. RISK FACTORS</b>	<b>18</b>
<b>4. INTRODUCTION</b>	<b>22</b>
<b>5. SHARE CAPITAL</b>	<b>23</b>
<b>6. PARTICULARS OF THE IPO</b>	<b>24</b>
6.1 Details of the IPO	24
6.2 Opening and Closing of Application Lists	25
6.3 Important Dates	25
6.4 Basis of Arriving at the IPO Price	25
6.5 Purposes of the IPO	26
6.6 Proceeds of the IPO	26
6.7 Underwriting Commission and Brokerage	30
6.8 Force Majeure Clause in the Underwriting Agreement	30
6.9 Information on the Offeror	32
<b>7. MORATORIUM ON THE SALE OF SHARES</b>	<b>33</b>
<b>8. INFORMATION ON THE DEGEM GROUP</b>	<b>34</b>
8.1 History and Activity	34
8.2 Changes in Share Capital	35
8.3 Flotation Exercise	35
8.4 Business Overview of the Degem Group	37
8.5 Management Succession Plan	51
8.6 Board of Directors, Senior Management and Employees	55
8.7 Subsidiary and Associated Companies	62
8.8 Landed Properties	78
8.9 Major Licences and Permits	79
<b>9. INDUSTRY OVERVIEW</b>	<b>80</b>
9.1 Overview of the Malaysian Economy	80
9.2 Prospects for 2001	80
9.3 Population Trend and Urban Growth	81
9.4 Overview and Prospects of the Jewellery Industry	82
9.5 Government Policies and Incentives for Jewellery Industry	83

---

**TABLE OF CONTENTS** *(Cont'd)*


---

	<b>Page</b>	
9.6	Reliance on Other Industries	84
9.7	Substitute Products	85
9.8	Demand and Supply Conditions	85
9.9	Industry Players and Competition	85
9.10	Summary Outlook	87
<b>10.</b>	<b>FUTURE PLANS OF THE DEGEM GROUP</b>	<b>89</b>
<b>11.</b>	<b>APPROVALS AND CONDITIONS</b>	<b>91</b>
11.1	Approval from the FIC	91
11.2	Approval from the MITI	91
11.3	Approval from the SC	92
<b>12.</b>	<b>RELATED PARTY TRANSACTIONS/CONFLICTS OF INTERESTS</b>	<b>94</b>
12.1	Related Party Transactions	94
12.2	Declaration of the advisers	94
<b>13.</b>	<b>DIRECTORS' REPORT</b>	<b>95</b>
<b>14.</b>	<b>FINANCIAL INFORMATION</b>	<b>96</b>
14.1	Proforma Consolidated Profit Record	96
14.2	Segmental Analysis of Degem Group's Turnover and Profits	99
14.3	Working Capital, Borrowings and Contingent Liabilities	99
14.4	Consolidated Profit Forecast and Assumptions	101
14.5	Reporting Accountants' Letter on the Consolidated Profit Forecast	102
14.6	Directors' Analysis and Commentary on the Profit Forecast	105
14.7	Sensitivity Analysis	105
14.8	Dividend Forecast	108
14.9	Proforma Consolidated Balance Sheets and Reporting Accountant's Letter	109
<b>15.</b>	<b>ACCOUNTANTS' REPORT</b>	<b>113</b>
<b>16.</b>	<b>FURTHER STATUTORY AND OTHER GENERAL INFORMATION</b>	<b>160</b>
16.1	Share Capital	160
16.2	Articles of Association	160
16.3	Listing Requirements of KLSE	165
16.4	Companies Act	166
16.5	Rules of the MCD	166
16.6	Directors and Substantial Shareholders	167
16.7	General	170
16.8	Material Contracts	171
16.9	Public Take-Overs	172
16.10	Consents	172
16.11	Documents Available for Inspection	172
16.12	Responsibility	173

---

**TABLE OF CONTENTS** (*Cont'd*)

---

	<b>Page</b>
<b>17. PROCEDURE FOR APPLICATION AND ACCEPTANCE</b>	<b>174</b>
17.1 Opening and Closing of Application Lists	174
17.2 General Conditions for Application	174
17.3 Applications and Acceptances	176
17.4 CDS Accounts	177
17.5 Notice of Allotment	177
17.6 Formalising CDS accounts	177
17.7 List of ADAs	178
17.8 Terms and Conditions for Applications Using Application Forms	187
17.9 Terms and Conditions for Electronic Share Applications	189
17.10 Steps for Electronic Share Application through a Participating Financial Institution's ATM	194

[The remainder of this page is intentionally left blank]



---

**1. CORPORATE INFORMATION**


---

**Board of Directors**

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

---

**1. CORPORATE INFORMATION** *(cont'd)*


---

**Audit Committee**

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

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

---

**1. CORPORATE INFORMATION** *(cont'd)*

---

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

---

**1. CORPORATE INFORMATION** *(cont'd)*

---

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

[The remainder of this page is intentionally left blank]

## 2. INFORMATION SUMMARY

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

### 2.1 History and Activity

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

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

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

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

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

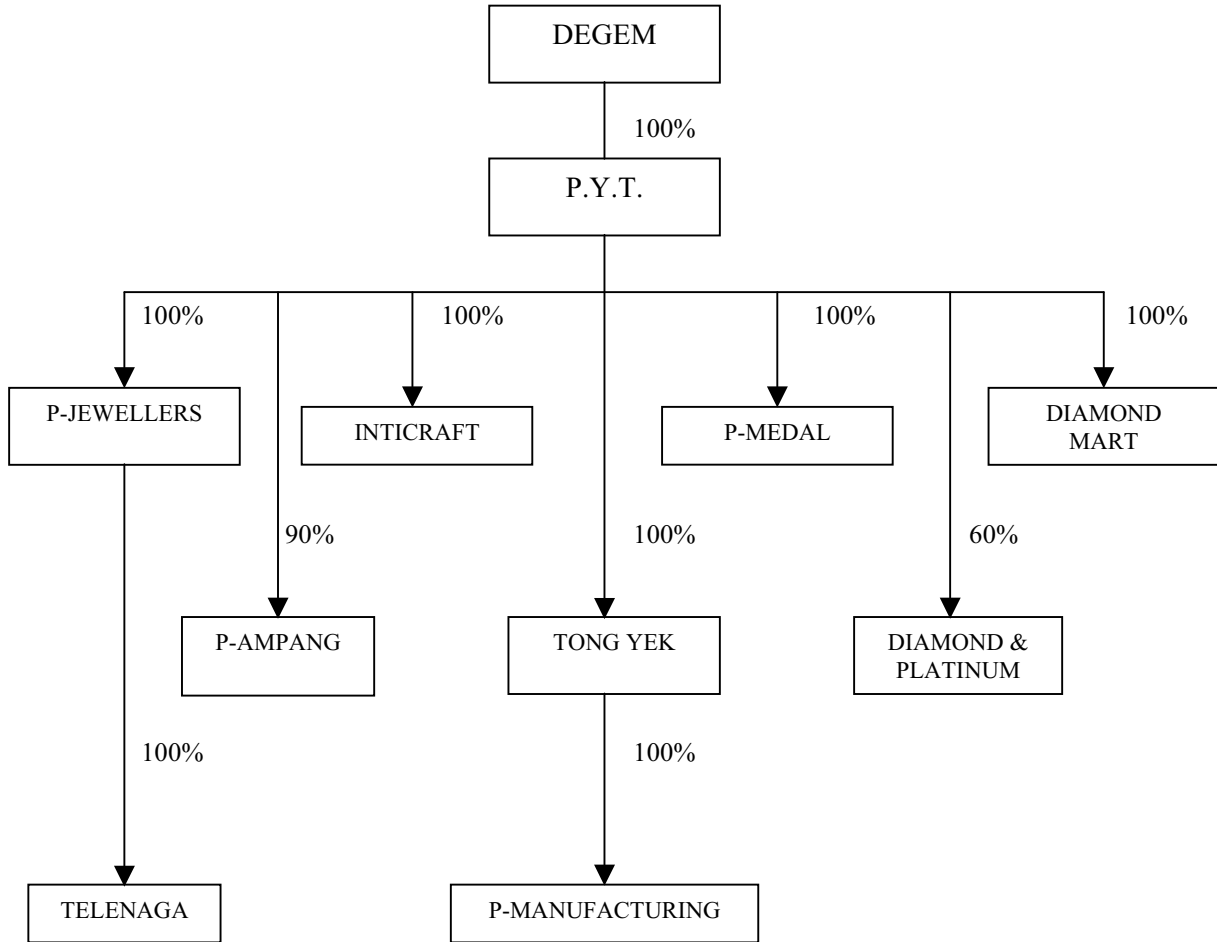
[The remainder of this page is intentionally left blank]

---

**2. INFORMATION SUMMARY** *(cont'd)*

---

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



[The remainder of this page is intentionally left blank]

## 2. INFORMATION SUMMARY (cont'd)

### 2.2 Promoters, Directors, Major Shareholders and Key Management

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

#### 2.2.1 Promoters

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

Notes:

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

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

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

#### 2.2.2 Directors

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

## 2. INFORMATION SUMMARY (cont'd)

Notes:

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

### 2.2.3 Major Shareholders

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

Notes:

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

[The remainder of this page is intentionally left blank]



## 2. INFORMATION SUMMARY (cont'd)

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

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

### 2.2.4 Key Management Team

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

*Notes:*

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

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

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

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

## 2. INFORMATION SUMMARY *(cont'd)*

### 2.3 Financial Highlights

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

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

\* *Annualised*

*Notes:*

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

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

---

**2. INFORMATION SUMMARY (cont'd)**


---

Notes:

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

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

---

**2. INFORMATION SUMMARY (cont'd)**


---

**2.4 Proforma Consolidated Balance Sheets of Degem**

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

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

---

**2. INFORMATION SUMMARY** *(cont'd)*

---

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

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

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

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

[The remainder of this page is intentionally left blank]

---

**2. INFORMATION SUMMARY (cont'd)**


---

**2.6 Principal Statistics Relating to the IPO**

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

**2.6.1 Share Capital**

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

**2.6.2 Class of Shares**

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

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

**2.6.3 Proforma Consolidated NTA**

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

---

**2. INFORMATION SUMMARY** *(cont'd)*


---

**2.6.4 Consolidated Profit Forecast for the Year Ending 31 December 2001**

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

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

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

**2.6.5 Dividend Forecast for the Year Ending 31 December 2001**

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

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

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

[The remainder of this page is intentionally left blank]

---

**2. INFORMATION SUMMARY** *(cont'd)*


---

**2.7 Summary of Risk Factors**

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

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

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

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

**2.8 Utilisation of Proceeds**

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

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

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



---

**2. INFORMATION SUMMARY** *(cont'd)*

---

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

**2.9.1 Material Litigation**

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

**2.9.2 Capital Commitments**

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

**2.9.3 Contingent Liabilities**

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

[The remainder of this page is intentionally left blank]

---

**3. RISK FACTORS**

---

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

**(a) Marketability of Degem Shares**

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

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

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

**(b) Business Risks**

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

**(c) Political, Economic and Regulatory Conditions**

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

**(d) Competition**

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

**(e) Fluctuation in Raw Material Prices**

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

---

**3. RISK FACTORS** *(cont'd)*

---

**(f) Ownership and Control by the Substantial Shareholders**

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

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

**(g) Dependence on Key Personnel**

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

**(h) Dependence on Supplier of "FABERGE" Jewellery**

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

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

**(i) Profit Forecast**

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

---

**3. RISK FACTORS** *(cont'd)*

---

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

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

***Suppliers***

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

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

**(k) Threat of Substitute Products**

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

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

**(l) Seasonality**

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

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

**(m) Government Control and Regulation**

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

---

**3. RISK FACTORS** *(cont'd)*

---

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

**(n) Achievability of Forward-Looking Statement**

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

[The remainder of this page is intentionally left blank]

---

#### 4. INTRODUCTION

---

This Prospectus is dated 27 August 2001

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

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

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

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

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

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

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

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

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

---

**5. SHARE CAPITAL**


---

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

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

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

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

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

[The remainder of this page is intentionally left blank]

---

**6. PARTICULARS OF THE IPO**


---

**6.1 Details of the IPO**

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

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

**(a) Bumiputra Investors Approved by MITI**

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

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

**(b) Eligible Employees**

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

**(c) Malaysian Investing Public**

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

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

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

[The remainder of this page is intentionally left blank]



---

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


---

**6.2 Opening and Closing of Application Lists**

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

**6.3 Important Dates**

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

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

**6.4 Basis of Arriving at the IPO Price**

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

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

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

[The remainder of this page is intentionally left blank]

---

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


---

**6.5 Purposes of the IPO**

The purposes of the IPO are as follows:-

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

**6.6 Proceeds of the IPO**

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

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

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

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

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

[The remainder of this page is intentionally left blank]

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

Notes:-

(1) *Repayment of term loan*

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

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

[The remainder of this page is intentionally left blank]

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

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

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

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

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

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

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

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

**(3) Working capital**

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

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

**(4) Estimated listing expenses**

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

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

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

---

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

---

**6.7 Underwriting Commission and Brokerage**

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

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

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

**6.8 Force Majeure Clause in the Underwriting Agreement**

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

---

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

---

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

[The remainder of this page is intentionally left blank]

---

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


---

**6.9 Information on the Offeror**

The details of the Offeror are as follows:-

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

Notes:

*Other relevant details of Legion are as follows:*

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

*Authorised share capital* : *RM5,000,000*

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

*Principal activities* : *Investment holding*

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

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

Notes:

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

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

+ *They are also the existing directors of Legion.*

[The remainder of this page is intentionally left blank]



---

**7. MORATORIUM ON THE SALE OF SHARES**


---

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

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

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

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

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

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

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

[The remainder of this page is intentionally left blank]

## 8. INFORMATION ON THE DEGEM GROUP

### 8.1 History and Activity

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

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

The Choong brothers comprising Chong Kai Sun @ Choong Kai Sun, Choong Kai Soon, Choong Kai Fatt and Choong Khoi Onn are the prime movers behind the Group's success. They also have the assistance of a family friend, Koh Eng Yeah, who has been with them since 1982.

Chong Kai Sun @ Choong Kai Sun, one of the brothers, has been in the jewellery business since 1970. In 1982, he started a jewellery company called Thye Loong Goldsmiths & Jewellers Sdn Bhd. The name was changed to Poh Yik Thye Jewellers in 1983 and later to P.Y.T. in 1995. As the business grew, the Choong brothers invested in machinery and equipment to improve the quality and the finishing of their products.

Previously, the Group had three (3) subsidiary companies, namely P-Manufacturing, P-Medal and Tong Yek, involved in manufacturing activities. However, the activities of these three (3) subsidiaries were consolidated in 1999 and 2000 under Inticraft pursuant to a rationalisation exercise in order to achieve a higher degree of production cost efficiency. P-Manufacturing is now inactive whereas P-Medal is involved in trading in gold medals and badges and Tong Yek is an investment holding company.

Since the establishment of the business in 1982, the Choong brothers have expanded the business to include P-Jewellers, P-Ampang, Diamond & Platinum, Inticraft, P-Manufacturing, P-Medal, Tong Yek, Diamond Mart and Telenaga.

Pursuant to the IPO, Degem was restructured as an investment holding and property investment company. The principal activities of Degem's subsidiaries are as follows:-

Subsidiary company	Equity interest held (%)	Principal activities
P.Y.T.	100.0	Investment holding and trading in gold and jewellery
P-Jewellers	100.0	Investment holding and trading in gold and jewellery
P-Ampang	90.0	Trading in gold and jewellery
Diamond & Platinum	60.0	Trading in diamonds and jewellery
Inticraft	100.0	Manufacturing and trading in gold and jewellery
P-Medal	100.0	Trading in gold medals and badges
Tong Yek	100.0	Investment holding
Diamond Mart	100.0	Property investment
Telenaga	100.0	Property investment
P-Manufacturing	100.0	Inactive

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*


---

**8.2 Changes in Share Capital**

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

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
03.01.97	2	Cash	2
31.03.01	34,999,998	Issued pursuant to the acquisition of P.Y.T. at approximately RM1.12 per share	35,000,000

**8.3 Flotation Exercise**

As an integral part of the listing of and quotation for the entire issued and paid-up share capital of Degem on the Second Board of the KLSE, Degem undertook the acquisition of the P.Y.T. Group which was approved by the SC on 30 January 2001. The approvals from MITI were obtained on 9 September 2000 and 15 June 2001 and the approval from FIC was obtained on 25 September 2000.

Details of the restructuring scheme are as follows:-

**8.3.1 Acquisition**

On 31 March 2001, Degem acquired the entire issued and paid-up share capital of P.Y.T. comprising 1,914,750 ordinary shares of RM1.00 each for a purchase consideration of RM39,065,304 satisfied by an issuance of 34,999,998 new ordinary shares of RM1.00 each in Degem at an issue price of approximately RM1.12 per ordinary share.

The Degem shares issued pursuant to the Acquisition are ranked *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

The purchase consideration for P.Y.T. was arrived at based on the proforma audited consolidated NTA of the P.Y.T. Group as at 31 December 1999 of RM39,065,304.

[The remainder of this page is intentionally left blank]

## 8. INFORMATION ON THE DEGEM GROUP *(cont'd)*

The number of new Degem shares issued by Degem to the vendors of P.Y.T. pursuant to the Acquisition are set out below:-

Name	No. of P.Y.T. shares held	Equity interest %	Purchase consideration RM	No. of new Degem Shares issued
Legion	1,340,325	70.0	27,345,712	24,499,999
Hasan bin M. Taib	382,950	20.0	7,813,060	6,999,999
Tunku Mohd Patani bin Tunku Nong Jiwa	74,680	3.9	1,523,643	1,365,086
Hanafi bin Abd Rahman @ Ahmad	59,360	3.1	1,211,081	1,085,050
Datuk Ahmad Merican bin S.T. Merican	57,435	3.0	1,171,808	1,049,864
	1,914,750	100.0	39,065,304	34,999,998

### 8.3.2 Offer for Sale

The Offeror, Legion, shall carry out an Offer for Sale of 1,400,000 ordinary shares of RM1.00 each in Degem at an offer price of RM1.60 per share. The Offer Shares represent approximately 3.33% of the enlarged issued and paid-up share capital of Degem of 42,000,000 ordinary shares of RM1.00 each, upon completion of the IPO. The Offer Shares are allocated to Bumiputra investors approved by MITI.

### 8.3.3 Public Issue

Degem shall carry out a Public Issue of 7,000,000 new ordinary shares of RM1.00 each in Degem at an issue price of RM1.60 per share. The Public Issue Shares represent approximately 16.67% of the enlarged issued and paid-up share capital of Degem of 42,000,000 ordinary shares of RM1.00 each, upon completion of the IPO. The Public Issue Shares are allocated in the manner set out in the table below:-

Allocation	Number of Public Issue Shares
Bumiputra investors approved by MITI	700,000
Eligible employees of the Group	2,100,000
Malaysian public	4,200,000
Total	7,000,000

The utilisation of the proceeds arising from the Public Issue is detailed in Section 6.6 of this Prospectus.

### 8.3.4 Listing

The listing of and quotation for the entire enlarged issued and paid-up share capital of Degem comprising 42,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE.

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

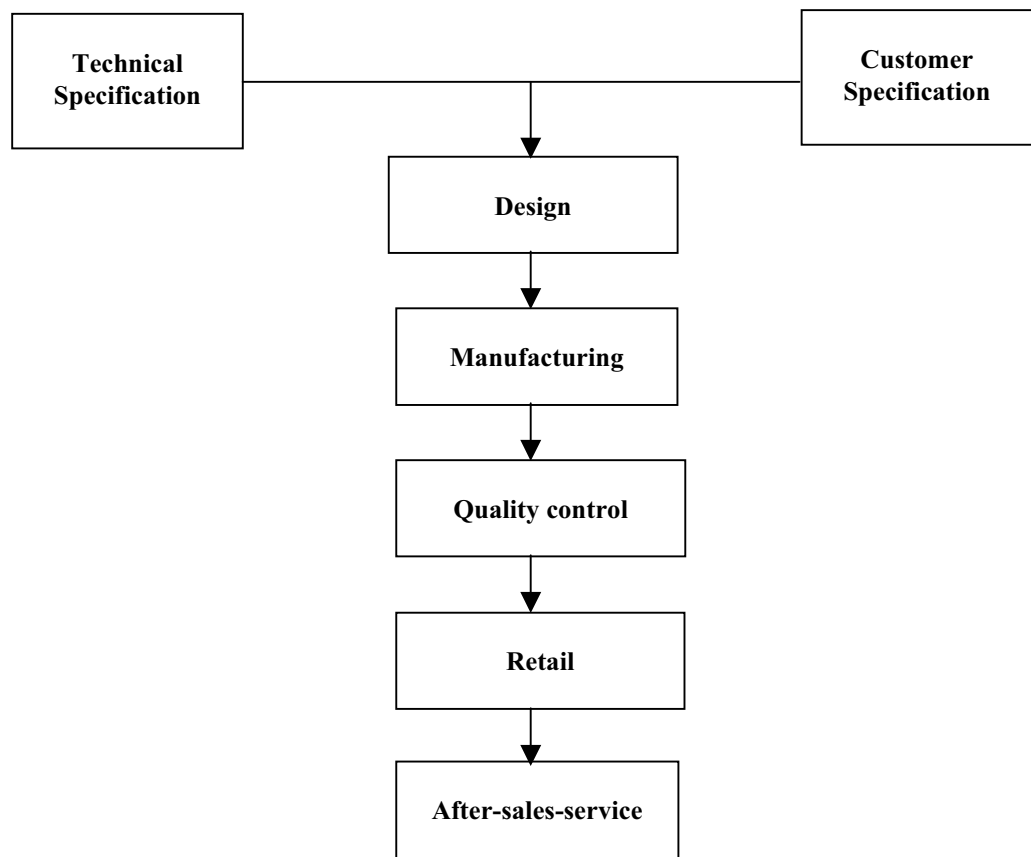
**8.4 Business Overview of the Degem Group**

**8.4.1 Group Structure**

The Group structure of Degem is summarised as in Section 2 of this Prospectus.

**8.4.2 Principal Products and Services**

The Group is involved in all aspects of jewellery making and trading i.e. from purchasing, designing, manufacturing, quality control to trading to after-sales services. The following diagram shows an overview of the Group's activities:-



[The remainder of this page is intentionally left blank]

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**


---

**(i) Overview**

The manufacturing factory comprises eleven (11) departments which are in-charge of different parts of the manufacturing process as stated below:

- (a) Collecting orders for the jewellery and distribution of raw materials for production purposes;
- (b) Manufacturing of custom-made jewellery department;
- (c) Manufacturing of mass production jewellery department;
- (d) Waxing process department;
- (e) Rubber cast production department;
- (f) Gold and platinum melting process department;
- (g) Gemstone mounting process department;
- (h) Polishing process department;
- (l) Electroplating and laser correction process department;
- (j) Franking process department; and
- (k) Quality control checkpoint.

The Group manufactures a wide range of jewellery including but not limited to the following:-

- (i) necklaces;
- (ii) chains;
- (iii) anklets;
- (iv) bangles/bracelets;
- (v) rings;
- (vi) earrings;
- (vii) brooches;
- (viii) pendants;
- (ix) medals; and
- (x) specific products like tie pins, cuff-links, object de art, etc. as requested by corporate customers.

**(ii) Manufacturing Process**Design

Most jewellery are designed by Inticraft's in-house designers. Once the designs are completed, it would be passed to the raw materials department where the person-in-charge would determine how much and what type of raw material is required for that design.

Raw Materials Department

All the gold bullions are purchased by Inticraft from the local banks and authorised dealers. Gold bullions are cut into the required size and mixed accordingly with other metals like copper and silver to obtain gold of various grades like 18-k, 20-k and 22-k, called gold bullets. The melting of all the metals are done in the melting department in Inticraft using electronic metal melting furnace. Degem checks the gold bullets to determine that the quality of the gold is as graded. The weight of the gold bullets is recorded for control purpose before passing on to the raw materials department of Inticraft.

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

Gemstones are provided according to the design's requirements. The staff will also determine which craftsman would be in-charge of manufacturing the design according to his skills. The selected craftsman is then required to sign a requisite form specifying the raw materials he had taken/received for that design.

*Custom-made jewellery*

For custom-made design, the design and the raw materials for the design are passed to the selected craftsman in the custom-made department, who would then be solely responsible for producing the finished designed jewellery.

The craftsman uses heat and hand-held equipment to mould the gold into the required design and mount the gemstones accordingly. Once completed, the finished jewellery is cleansed using an ultrasonic cleaning machine. The jewellery is then passed to the quality control checkpoint where it would be checked for defects and to ensure that it satisfies the quality requirements. Once it has passed the quality control checkpoint, the jewellery would be weighed and checked against the raw materials taken by the jeweller-in charge for control purpose. This completes the process of a custom-made jewellery order.

*Mass production jewellery*

For mass production jewellery, only the required gold and design would be passed to the craftsman in the mass production department.

The craftsman is responsible for hand-moulding the gold into the required design. Upon completion, the designed jewellery is passed to the quality control checkpoint to be checked for defects and its quality. The gold design would serve as a master cast for the production of rubber mould slabs.

The checked gold cast is then passed to the staff in the rubber cast production department.

*Rubber cast production*

The staff of the rubber cast production department would place the gold cast in the middle of a piece of rubber strip and fit the rubber strip according to the gold cast. The gold cast would have a long narrow extension to link the cast to the outside of the rubber slab, which would serve as the opening for wax injection later. Once this is done, another piece of rubber strip would be pasted against the cut rubber strip. This would be repeated until approximately seven (7) pieces of rubber strips resembling a multi-decker sandwich holding the gold cast is completed.

This rubber sandwich would be placed under a vulcanizer machine, which would press the rubber sandwich under high temperature to melt the strips together to form the rubber slab. This process takes approximately half an hour to complete.

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

*Waxing department*

Once the rubber slab has cooled, it would be sent to the waxing department where another staff would skilfully cut the rubber slab into half using surgical knife so that the gold cast can be removed and its design imprinted in the rubber slab through the heating process.

The rubber slabs are held together and molten wax would be injected inside using the vacuum wax injector machine to fill the imprint of the design. Once cooled, the wax cast is removed from the rubber slabs and any uneven edges would be melted off from the wax cast. The wax cast is then shouldered to a cylinder wax tube which would serve as the "tree trunk". This process is repeated until a few wax cast is stuck to the same cylinder wax tube, thus resembling a "tree".

The wax tree is then weighed to determine how much of gold/platinum is required to produce a gold or platinum tree before it goes to the gold/platinum melting department.

*Gold/platinum melting department*

The melting department staff would place the tree into a cylinder-shaped metal container. He then mixes crystalline silica powder with water if gold is used to produce the tree. The mixture is then poured into the container with the wax tree. The container would be placed on a vacuuming machine which would shake and spin the mixture inside the container for a few minutes to remove the oxygen bubbles so that a solid crystalline silica cast would be formed.

The container is then placed inside a burnout furnace for about four (4) hours. This process would harden the crystalline silica cast and the intense heat would evaporate the wax, leaving only its tree imprint behind. Once removed and cooled, gold bullets obtained from the raw material department would be melted using the electronic metal melting furnace and the molten gold would be poured inside the crystalline silica cast to fill the tree imprint.

Once cooled, the crystalline silica cast would be broken and the harden gold tree will be washed with water to remove the remaining crystalline silica on the gold tree. A craftsman would then snip the gold items off the tree. The gold items are then refined by the craftman. These gold items would be sent to the quality control to be checked for defects and its quality.

*Gemstone mounting department*

The completed gold item is then sent to the gemstone mounting department if gemstones are part of the design. The mounting would be done by specific craftsman according to his skills.



---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

*Polishing department*

The completed gold item with the gemstones would be sent for polishing using a polishing machine. If the gemstones make certain parts of the gold item not accessible for polishing, then the polishing process would be done first before the mounting of the gemstone and again after the mounting of the gemstones.

*Electroplating and laser welding department*

Some items are electroplated on the exterior with gold or platinum. This would be done using the electroplating machine. The electroplated item would be sent for polishing at its final stage.

For items with minor defects, eg. chip holes, the laser welding instrument is used to seal the hole with its appropriate metal in the form of a thin wire. Once the hole is filled up, it would be sent for polishing and electroplating again for a complete finishing.

*Franking department*

Inticraft sometimes receive orders for certain items that are manufactured using the franking process, eg. the state decoration medals for the Istana, Sabah. The steel mould for the franking design is sourced from third-party manufacturers. The steel mould is then used to imprint its design using the hydraulic pressing machine on the blank coin/medal prepared according to client's specifications. The franked product is then sent for polishing and refinement.

The management of Degem is proactively aware of its customers' emphasis on the quality and workmanship of Degem's products, commensurate with the price levels commonly identified with jewellery. As such, the Group maintains strict quality controls throughout the manufacturing process. Further, the Group's craftsmen work under the strict supervision of more senior craftsmen to ensure high quality workmanship. Inticraft only manufactures for the Group and does not provide its manufacturing services to other competitors.

*Quality control*

Degem Group is committed to organisation wide quality control and assurance processes, involving everyone from senior management, craftsmen right through to the sales executives. Degem's quality strategy includes an efficient combination of technology and skilled personnel to produce quality jewellery that meet customer requirements.

Degem's quality control includes incoming quality control, in-process quality control and out-going quality control. In-coming quality control covers activities that check the quality and authenticity of jewellery and raw material through inspection while in-process quality control is responsible for regular monitoring of work-in-progress to ensure quality is maintained. Out-going quality control inspects finished jewellery to ensure conformance with customers' and technical specifications as well as with regulatory requirements.

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*


---

**(iii) Sources and Availability of Raw Materials**

<b>Material</b>	<b>Source</b>
Gold	Major local bank i.e. Public Bank Berhad and local dealers i.e. MKS Precious Metals Sdn Bhd
Diamond	Trading centres in New York (USA), Antwerp (Belgium) and Hong Kong.
Other precious stones like ruby, sapphire and emerald, jade and pearls	Suppliers from USA, Thailand, Hong Kong and Singapore.

Degem does not enter into contracts for the supplies of its diamonds as there are many suppliers in the global market. Degem obtains its raw materials from a few regular suppliers for the larger sized diamonds. Large sized diamonds are rare and they are not usually available from many other suppliers, unlike the smaller diamonds or commercial diamonds which are readily obtainable from many suppliers in the market.

Degem purchases its gold supply from the local banks like Public Bank Berhad and UOB Bank (Malaysia) Berhad. Gold does not face any threats of future shortage as it is considered a monetary item and is held in reserves by central banks of every country. The price of gold is determined by supply and demand and is traded over exchanges like New York Metal Exchange and London Metal Exchange.

The supplies of other precious gemstones vary according to its quality. Supply of certain precious gemstones like higher quality sapphires and rubies are depleting and thus, command very high prices. Due to the shortage of supply of higher quality gems, it is a common practice to purchase what is available in the market. The supply of lower or normal quality gemstones can be obtained through various suppliers in the market. The price of diamond is traded over exchanges like the New York Diamond Exchange.

As there are many suppliers of gemstones in the global market, the Group is able to obtain its raw materials from various suppliers. This allows the Group to obtain its raw materials at the most competitive price without compromising on the quality.

The good working relationship that the Group has built with its suppliers ensures a constant and reliable supply of diamonds at all times. The length of working relationship between the Group and its major suppliers varies from a few years to as long as nineteen (19) years.

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**


---

**(iv) Location of Production Facilities**

Inticraft, a subsidiary company of Degem, produces jewellery. It has a manufacturing factory that occupies a production floor area of approximately 5,040 sq. ft. at 2nd Floor, No. 45, 47 & 49, Jalan SS2/55, 47300 Petaling Jaya, Selangor. The said factory comprises eleven (11) departments which are in-charge of different parts of the manufacturing process as stated in 8.4.2 (i) of this Prospectus.

**(v) Production/Operating Capacities and Output**

The production capacities and output of hand-made jewellery produced or manufactured by Degem are as follows:-

Items	Maximum Capacity (units per month)	Present Output (units per month)
Hand-made jewellery	1,300	1,000

**(vi) Retail**

The jewellery manufactured by the Group is sold through the Group's jewellery shops. The Group also sells jewellery under its own brandnames; namely "Happy Eight" and "Rembrandt Collezione". Further, the Group sells "FABERGE" jewellery which is world renowned for its Faberge eggs. Currently, the Group is the only supplier of "FABERGE" jewellery in Malaysia.

The Degem Group intends to increase its number of outlets in major urban centres to further enhance its profile and image/brandname.

**(vii) After-Sales Service**

The Group's after-sales services include jewellery advice, cleaning, polishing, designing, engraving, upgrading and repairs. Those involved in sales are given in-house training which are conducted by senior sales staff and management. Moreover, senior sales staff are required to undergo courses in jewellery, both locally and overseas.

Another important aspect of the after-sales service is the Group's policy to accept trade-in (for purchase) of jewellery, especially for diamonds. Customers usually trade-in jewellery for the purpose of re-manufacturing into newer design or exchanging for other items.

The items to be traded-in could be in the form of pure gold jewellery or jewellery with gemstones. The Group accepts trade-in for both as their staff are well trained and knowledgeable about jewellery products. Other players usually accept trade-ins for gold jewellery only and not those with gemstones. This could be due to insufficient experienced staff to verify the quality or authenticity of the gemstones.

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

**8.4.3 Market Share/Position**

There are no official statistics and reports on the key players in local gold and jewellery industry. However, according to the Board of Directors of Degem, the key players in the local industry are Degem, Habib Corporation Bhd ("Habib"), Selberan Jewellery Sdn Bhd ("Selberan") and Poh Kong Jewellers Sdn Bhd ("Poh Kong"). The remaining players comprise mainly the smaller operators with limited outlets.

According to the Board of Directors of Degem, the jewellery industry is a monopolistic market as there are many players in the market with differentiated products offered by the players. The level of competition differs among the players depending on the types of jewellery the players produce and what type of market they target at. Players differentiate themselves through price, design, quality and after-sale service. Those purely in retail normally compete through price reduction thereby reducing their returns. Players with manufacturing facilities have a significant cost advantage over those purely in retail.

Hence, it is reasonably difficult to ascertain the market share of each player in this industry as the product differentiation strategies of each player will determine the type of customers and the market share which the player would like to capture.

Over the years, Degem has built a reputation for its quality products and workmanship. In order to capture a larger market share, Degem has also ventured into the lower end market via Diamond & Platinum whereas P.Y.T. is still targeting the higher end market. Thus, Degem Group is able to cater its products to clients in every income bracket.

The market positioning strategy of Degem is disclosed in the ensuing section.

**8.4.4 Markets, End-Users and Demand****(i) Markets - Local vs. Export**

The Group's range of jewellery is mainly meant for the local market. Some local jewellery is also purchased by tourists and expatriates living in Malaysia.

The Group started its export business in April 1997 to Firestone & Co. Hong Kong, (a company with its headquarters in New York and branches in Taiwan and Hong Kong). For the financial year ended 2000, export sales contributed 0.7% to the total Group sales turnover. The current export sales to overseas markets is still insignificant as compared to the total sales turnover of the Group.

Degem will endeavour to conduct more road shows and exhibitions to establish a jewellery network and to promote its jewellery in the overseas markets.

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**


---

**(ii) Retail Market - High End vs. Low End**

Currently, the Group's retail business is conducted through four (4) subsidiary companies, the branches of which are set out below:-

<b>Subsidiary company</b>	<b>Branch/ location</b>
P.Y.T.	<ul style="list-style-type: none"> <li>• SS2, Petaling Jaya</li> <li>• State New Town, Petaling Jaya</li> <li>• Subang Jaya</li> </ul>
P-Jewellers	<ul style="list-style-type: none"> <li>• Bangsar</li> <li>• Suria KLCC</li> </ul>
P-Ampang	<ul style="list-style-type: none"> <li>• Ampang</li> </ul>
Diamonds & Platinum	<ul style="list-style-type: none"> <li>• Bangsar</li> <li>• Mid-Valley Megamall</li> <li>• Sungei Wang Plaza</li> <li>• Sunway Pyramid</li> <li>• The Mall</li> </ul>

The gold and jewellery sold in P.Y.T., P-Jewellers and P-Ampang are intended to cater to the higher-end market whereas the jewellery sold in Diamonds & Platinum cater to the mid to lower-end market as well as the younger age groups. With these two (2) different markets, P.Y.T. ensures that its products are affordable for people of all income levels. The types of jewellery sold in P.Y.T., P-Jewellers and P-Ampang also differ from Diamonds & Platinum. P.Y.T., P-Jewellers and P-Ampang are more centered towards the elegant and sophisticated style which cater for the more mature clientele with higher purchasing power while Diamonds & Platinum concentrates on the younger and trendier generation. The more affordable prices of Diamonds & Platinum allow younger people to purchase jewellery and to keep up with fashion trends.

The Group's retail shops are currently centered in the Klang Valley. This is a conscious effort by the management of the Group to concentrate its efforts in the Klang Valley. This is because the highest concentration of potential clientele with purchasing power is in the Klang Valley.

Since the Group manufactures most of its own jewellery, the Group is able to offer high quality jewellery, a wide range of jewellery products and excellent workmanship and service.

Although the Group now concentrates its activities mainly in the Klang Valley, the management plans to explore other geographical areas once the Group has fully penetrated the Klang Valley market. The Group's expansion plans are set out below:-

---

**8. INFORMATION ON THE DEGEM GROUP** (*cont'd*)

---

(i) Opening of more outlets in the Klang Valley, especially in high traffic areas like shopping malls.

(ii) Expansion of its manufacturing activities

The Group plans to invest more in automation process and to upgrade to higher technology manufacturing process. Degem frequently sends its team of researchers overseas to source for the latest developments in the global jewellery industry. This includes research into the latest technology available in the global jewellery industry. The management would then evaluate the costs and benefits of the technology and would only employ the technology which is beneficial to the Group.

A strong aspect of the Degem Group's retail business as compared to other companies is that the Group does not practise the franchise system.

The advantages of not franchising are as follows:-

- (a) a higher margin as the Group does not have to share profits and/or pay royalty fees;
- (b) more control over their products in terms of quality, prices and design; and
- (c) no conflict of interest in the direction of the business and which therefore enables the Group to have a focused business plan.

**8.4.5 Methods of Distribution/Marketing and Sales**

High quality jewellery and good after-sales services have contributed to P.Y.T.'s good reputation in the jewellery industry. As such, it is common that new customers of P.Y.T. are referred to P.Y.T. by its existing clients.

The manufacturing of the state decoration medals for the palace (Istana) in Sabah has been consistently awarded to P.Y.T., indicating satisfaction with the quality and workmanship of P.Y.T.'s products. Corporate and custom made products are also received from potential customers who have been referred by satisfied clients.

Degem also allocates approximately 1.2% of its turnover (RM1 million) for advertising and promotional expenses. The Group advertises in major newspapers like The New Straits Times and The Star, in magazines like Malaysia Tatler, Female, Jelita and Sister Pictorial and occasionally via radio.

Degem also holds promotions and sales approximately two (2) to three (3) times a year to boost its sales during the non-festive period. The affluence, purchasing habits, lifestyle and spending power of its end-consumers will determine the promotion strategies adopted by its marketing personnel.

For the past four (4) years, the Group also actively promoted its jewellery through exhibition sales (roadshows) which were conducted in leading hotels in Peninsular Malaysia and other countries which include Singapore, United Arab Emirates, Hong Kong and Bahrain.

**8. INFORMATION ON THE DEGEM GROUP** (cont'd)**8.4.6 Major Suppliers**

Most of the suppliers are essentially loose diamonds, gemstones and gold bullions suppliers. Save for Centimax Enterprise Sdn Bhd ("Centimax") which is the supplier of finished goods of gold, diamonds and gemstones, Degem Group is not dependent on any other single supplier (i.e. not more than 10% of the Group's supplies).

In the event if Degem is unable to source for the products supplied by Centimax which are finished goods of gold, diamonds and gemstones rather than loose diamonds, gemstones and gold bullions, the Company is able to source similar products from Gold Theme Ltd., City Pearl International Ltd. and other suppliers in the market. The supply of finished goods of gemstones can be obtained through various suppliers in the market.

The following table set out the major suppliers of Degem Group for the financial year ended 31 December 2000:-

<b>% of Purchase</b>	<b>Suppliers</b>	<b>Products Supplied</b>	<b>Length of Relationship Years</b>
9% to 20%	Centimax Enterprise Sdn Bhd	Gold, Diamonds and Gemstones - Finished goods	4
5% to 9%	MKS Precious Metals Sdn Bhd	Gold bullions	5
	Afghan Malaya Trading Co. Pte. Ltd.	Diamonds	10
	Indigems Sdn Bhd	Diamonds	9
	Basal Trading & Sons Ltd.	Diamonds	5
3% to 5%	Eurostar Diamond Traders	Diamonds	6
	Emha Diamond Pte. Ltd.	Diamonds	9
	Hima Gems Pte. Ltd.	Diamonds and Gemstones	9
1% to 3%	Chan Kwong Kee (M) Sdn Bhd	Gold bullions	4
	Chow Chai Weng Goldsmith	Gold bullions	19
	United Overseas Bank (Malaysia) Berhad	Gold bullions	2
	C. Mahendra Exports (H.K.)	Diamonds	1
	Facets Singapore Pte. Ltd.	Diamonds	7
	Olympic Diamond Corporation	Diamonds	1
	Interdiam Sdn Bhd	Diamonds	3
	E. Schreiber ING.	Diamonds	5
	Hini Star	Diamonds	4
	Ernst Faber Inc.	Diamonds	6
	Schoeffel (M) Sdn Bhd	Pearl	8
	K.V. Gems Co. Ltd.	Gemstones	4
	Tara & Sons Inc.	Gemstones	1
	Diarough European Sales N.V.	Gemstones	3
	Firestone Co.	Diamonds and Gemstones	14
	Gold Theme Ltd.	Gold - Finished goods	5
	City Pearl International Ltd.	Diamonds - Finished goods	2

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

Currently, Degem is the only supplier and sole agent for “FABERGE” jewellery in Malaysia. Its continuous supply of “FABERGE” jewellery is dependent on Victor Mayer GmbH & Co. which is the only licensee world-wide authorised by Faberge Co., New York to manufacture jewellery under “FABERGE”.

Degem has entered into an agency agreement with Victor Mayer GmbH & Co. on the basis of a long term business agreement to promote and sell “FABERGE” jewellery in Malaysia.

**8.4.7 Major Customers**

The nature of the Group's business is retail and thus does not rely on a single or limited number of customers. It relies on a wide customer base from all income levels as it has a wide range of products to suit the different income category of each customer. Although the Group has regular customers, their purchases are not significant to the Group as a whole.

**8.4.8 Seasonality**

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

**8.4.9 Material Financial Arrangements with Suppliers**

Degem procures gold from major local banks while diamonds and other precious stones are sourced from overseas suppliers. Purchase of gold bullions is settled by cash. Purchases of diamonds are settled by cash (US\$) or credit depending on the carat size. For smaller diamonds below one (1) carat, the credit period is normally between one (1) to six (6) months. For larger diamonds above one (1) carat, the credit period is usually one (1) month.

**8.4.10 Relationship with its Major Shareholders**

Chong Kai Sun @ Choong Kai Sun, Choong Kai Fatt, Choong Khoi Onn and Choong Kai Soon are brothers who have consistently held a controlling stake in P.Y.T. since its incorporation in 1982. Subsequent to the IPO, the Choong siblings, Koh Eng Yeah and Liew Chin Fong have a controlling interest of 55% in Degem via their collective shareholdings in Legion. Mr Koh Eng Yeah, who is a substantial shareholder of Legion, has been with P.Y.T. since 1982. The other major shareholder, Hasan bin M. Taib, has been with P.Y.T. since 1995.

As such, Legion will be able to control the outcome of certain matters requiring the votes of the Company's shareholders unless it is required to abstain from voting and deliberating by law and/or the relevant authorities.

**8.4.11 Order of Delivery Backlog**

The Group does not face any problems with backlog orders. Custom-made orders are delivered within one (1) month if the design of the order is complicated.

Currently, the machinery are not producing up to its maximum capacity. Should there be a reasonable increase in demand for jewellery, Degem is able to meet the demand with its existing resources.



---

## 8. INFORMATION ON THE DEGEM GROUP *(cont'd)*

---

Orders for diamonds from suppliers take an average of three (3) days for delivery.

Degem does not maintain a specific amount of stock in inventory. Degem usually places its orders for its raw materials if the prices and the quality of the raw materials available at that time is favourable. As delivery takes approximately three (3) days, it is not necessary for Degem to maintain a high level of stock in inventory.

Save for the conventional designs that are not subject to fashion trends, Degem does not replenish its existing range of design jewellery once it has been sold, unless the demand for that range is high. However, Degem maintains a catalog of all its range of designs. Therefore, if customers would like to purchase any design that is not kept in stock, Degem can easily re-order the design from Inticraft as the rubber mould for all the designs are kept in stock.

### 8.4.12 Interruption of Business During the Past Twelve Months

The Degem Group is currently managed by the Choong siblings together with a pool of external professionals, who have charted the growth of the Group to its position today. Through the proper and detailed planning of the Choong siblings and the professionals, during the past twelve (12) months, the Degem Group did not face any interruptions in the businesses which have had a significant effect on the operations of the Group.

### 8.4.13 Material Research and Development

The management of Degem understands that to keep abreast with new developments, the Group has to constantly upgrade the quality of its products and introduce new products to meet the changing demands and tastes of its customers. This strategy is important to stay ahead of its competitors. The Group already has well qualified designers who have won numerous awards at local and overseas competitions.

The Group subscribes to three (3) important magazines i.e. Rapaport Diamond News, Jewellery News Asia and Gem and Gemology (from GIA) to keep abreast of the latest development in the world jewellery business.

Currently, the R&D team consists of Chong Kai Sun @ Choong Kai Sun who has thirty (30) years of experience in the jewellery industry whilst Choong Kai Fatt and Choong Kai Soon have twenty five (25) years and twenty (20) years of experience respectively. The Group allocates approximately RM300,000 per annum for the R&D team to conduct research on new products, explore new markets, discover new production methods and identify and purchase the necessary machinery that lower the cost of production. The R&D team focuses on exploring and researching for the latest innovative designs available. It also analyses and studies the techniques/technology employed to produce quality jewellery overseas and transfers the same into Malaysia.

As a result of the R&D team's activities, the Group has developed and implemented the following:-

- (i) The introduction of a new concept, which is now marketed under the Diamond & Platinum label. These outlets display mainly white gold and platinum jewellery at medium price range and target the young and contemporary Malaysians. The Degem Group is the leader in the introduction of this concept to Malaysians; and

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**


---

- (ii) In line with that, and with the acquisition of the platinum melting machine and laser welding machine, the Degem Group is one of the few who are able to produce platinum items in Malaysia. Currently, most of the platinum jewellery sold in Malaysia is imported from overseas.

**8.4.14 Training and Human Resource Development Programmes**

The training and development programmes that are conducted by Degem is outlined as follows:-

**(a) On-going Product Knowledge Training**

This in-house training programme is conducted by Degem's sales managers. The training is to improve the product knowledge of new sales and inventory staff as well as to upgrade the product knowledge of the existing staff.

**(b) Selling Skills & Effective Customer Service Training**

This training programme is to improve the selling skills of its sales staff i.e. Sales Department Heads, Sales Managers and Assistant Managers from all the outlets.

**(c) ISO 9001 Training**

The Group is working towards attaining the accreditation of ISO 9001. In order to achieve the objective, the manufacturing staff from Inticraft factory are sent for ISO 9001 training programmes to familiarise them with the standards required under the ISO 9001.

**(d) Gemological Institute of America (GIA) Distance Education Graduate Diamonds Programme**

Degem also sponsors selected sales staff to study gemology through correspondence training. Currently, five (5) sales staff are being sponsored by the Group.

In order to keep abreast with the latest development of the jewellery industry, external speakers are invited to provide training for the senior staff. Attendance and active participation at selected industry conferences, exhibitions and external courses are also encouraged for the senior staff of the Group.

**8.4.15 Key Achievements/Awards**

The Degem Group is staffed by experienced designers who study and develop new products as well as improve on existing ones. The design team also makes regular overseas visits to trade fairs to keep up with the latest trends and fashions. The existing two (2) Senior Designers have won numerous awards in local and overseas design competitions.

Awards received by the two (2) Senior Designers are summarised as follows:-

- (a) Diamonds Today Design Awards in the Working Women Category in 1991;  
 (b) Diamonds Today Design Awards in the Modern Women Category in 1991;  
 (c) Diamonds Today Design Awards in the Elite & Ethic Category by De Beers in 1993;

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**

- (d) Singapore International Diamond Design Competition in the Pret a Proter Jewellery Category in 1993;
- (e) Hong Kong Diamond for Modern Women Design Competition in 1995; and
- (f) Golden Design Award by World Gold Council in 1996.

**8.5 Management Succession Plan**

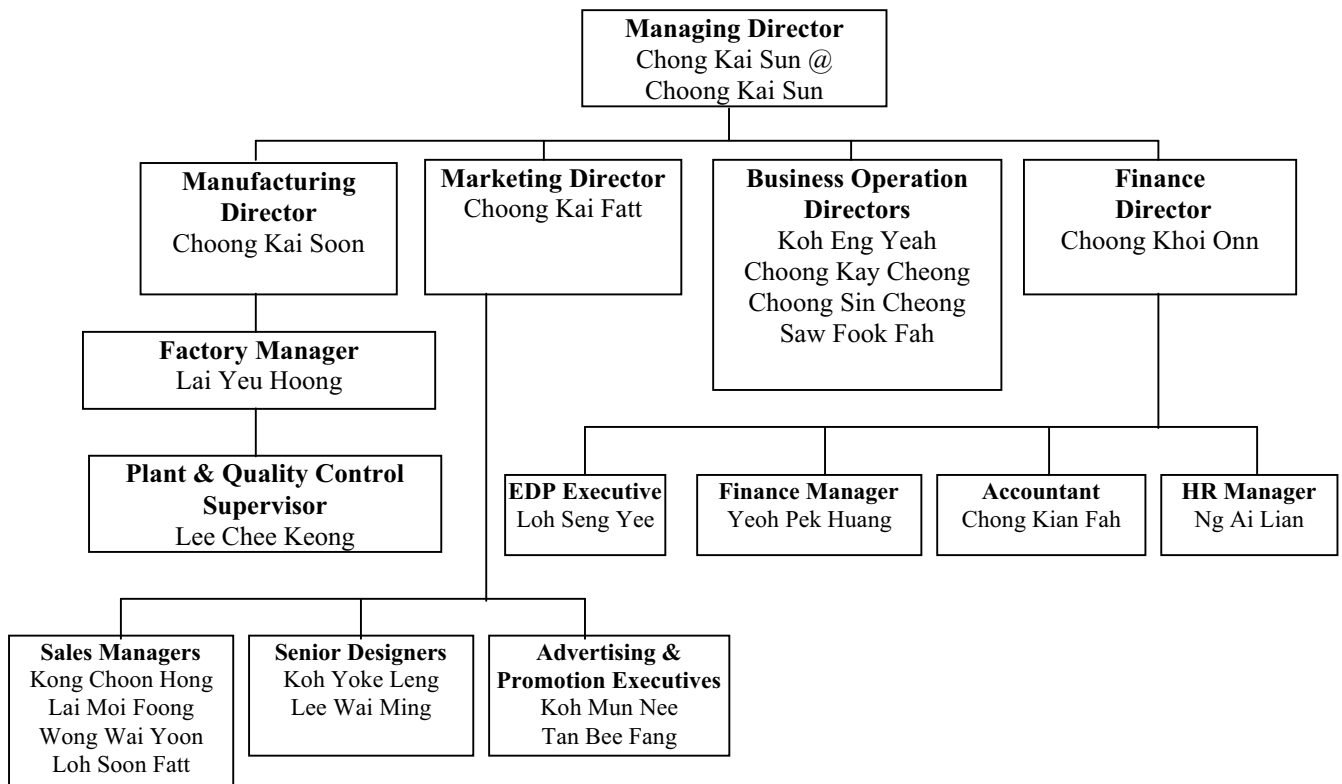
**8.5.1 Background**

Degem started off as Thye Loong Goldsmith and Jewellers Sdn Bhd, a single company with one (1) showroom in Petaling Jaya in 1982. Degem has to-date evolved into an integrated jewellery group comprising eleven (11) companies with a factory and ten (10) showrooms. The integrated activities of the Group include manufacturing and trading of jewellery, investment holding and property investment.

For the financial year ended 31 December 2000, the Group recorded a turnover of RM88 million, pre-tax profit of RM12 million and as at 31 December 2000, shareholder funds of RM48 million. The growth of the Degem Group over the years has been essentially achieved through the astute leadership and entrepreneurial acumen contributed by the Choong siblings and assisted by a pool of external professional managers/executives.

**8.5.2 Organisation structure**

The organisation structure of Degem Group as at 15 August 2001 is depicted below:-



---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*


---

The success of the Group in recent years lies behind the existence of a defined organization structure with key functional areas ably led by the Choong siblings and to an important extent by competent individuals outside the family as follows:

Managing Director	:	Chong Kai Sun @ Choong Kai Sun
Manufacturing Director	:	Choong Kai Soon
Marketing Director	:	Choong Kai Fatt
Business Operations Directors	:	Koh Eng Yeah (non-family member) Choong Kay Cheong Choong Sin Cheong Saw Fook Fah (non-family member)
Finance Director	:	Choong Khoi Onn

**8.5.3 Participation in Decision Making Processes by Non-Family Individuals**

Ever enthusiastic of marshalling the Group to greater heights, Degem Group holds dearly to the importance of introducing a collective pool of “non-family” professionals who are poised to contribute positively to the operating decisions of the Group.

In keeping up with the new landscape, Degem is striving to evolve from a “relationship-based” to a “merit-based” business. In this connection, it can be seen that Degem has appointed two “non-family” individuals, namely Koh Eng Yeah and Saw Fook Fah as directors of business operations and employed a team of fourteen (14) capable professionals as second-line managers/executives to provide support to the manufacturing, marketing and finance functional areas of the Group.

To elaborate on the significant contribution by non-family individuals, it is well accepted that product design is an important key to attracting customers and thereby increasing sales. In this connection, the Group has had the opportunity to secure the services of two (2) Senior Designers who have been with the Group for a decade and whose innovative designs have led to the Group achieving a significant growth in sales over the period.

The fourteen (14) non-family managers/executives comprise a factory manager, a production and quality control supervisor, four (4) sales managers, two (2) senior designers, two (2) advertising and promotion executives, an electronic data processing executive, a finance manager, an accountant and a human resource manager.

The credentials of the two (2) non-family directors and the fourteen (14) non-family managers/executives are set out below:-

**A. Business Operations**
**Koh Eng Yeah, Director**

*Refer to Section 8.6.1.*

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

**Saw Fook Fah, Director**

*Refer to Section 8.6.4.*

**B. Manufacturing**

**Lai Yeu Hoong**, aged 46, is the Factory Manager of Degem Group. He has 19 years of experience in the jewellery industry of which 15 years were spent in production operations with OE Design Sdn Bhd before he joined Weng May Goldsmith Sdn Bhd in 1998. He has vast experience in the supervision of jewellery manufacturing. He was invited to join Degem Group in 2001 as Factory Manager.

**Lee Chee Keong**, aged 35, is the Production and Quality Control Supervisor of Degem Group. He has 17 years of quality experience in various goldsmith companies before joining Degem in 1998 as a goldsmith and was promoted to his current position in 2000.

**C. Marketing**

**Kong Choon Hong @ Kang Choon Hong, Senior Sales Manager**

*Refer to Section 8.6.4.*

**Lai Moi Foong, Senior Sales Manager**

*Refer to Section 8.6.4.*

**Wong Wai Yoon, Sales Manager**

*Refer to Section 8.6.4.*

**Loh Soon Fatt**, aged 38, is the Sales Manager in Degem Group. He has 8 years experience as sales supervisor in Woo Hing Brothers Berhad, a company involved in the retail of branded watches before joining Degem Berhad as customer sales executive in 1993. He was promoted to his current position in 1999.

**Koh Yoke Leng, Senior Designer**

*Refer to Section 8.6.4.*

**Lee Wai Ming, Senior Designer**

*Refer to Section 8.6.4.*

**Koh Mun Nee**, aged 27 is the Advertising and Promotion Executive of Degem Group. After obtaining a Graphic Design Diploma from PJC Art and Design in 1995, she began her career as a graphic designer with Selesa Cipta in 1996. She moved on to join Legend Hotel as a graphic designer in 1996 and in 1997 she joined Stone Agency, an advertising company as an assistant art director. She joined Degem Group in 2000 as graphic designer and was subsequently redesignated as advertising and promotion executive.

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

**Tan Bee Fang**, aged 27, is the Advertising and Promotion Executive of Degem Group. After obtaining a Computer Graphic Design Diploma in 1999, she joined Degem Group as a designer in 1999 before assuming her current position in 2000.

**D. Finance**

**Loh Seng Yee**, aged 32, is the Electronic Data Processing Executive in Degem. He graduated from Tunku Abdul Rahman College with a Certificate in Computer Studies in 1992 after which he started his career as data administrator in 1993 with SME Management Sdn Bhd, a recruitment agency. He then joined Bukit Perwira Sdn Bhd, a company involved in events organisation as data administrator in 1997. In 1999, he joined Proemp Sdn Bhd, a trading company as network engineer and in 2000, he joined Degem Group in his current position.

**Yeoh Pek Huang, Finance Manager**

*Refer to Section 8.6.4.*

**Chong Kian Fah, Accountant**

*Refer to Section 8.6.4.*

**Ng Ai Lian, Human Resource Manager**

*Refer to Section 8.6.4.*

**8.5.4 Conclusion**

Given the increased competition in the jewellery industry, Degem has taken and is continuing to take steps to move away from a business solely relying on family relationships to one which is participated by external professional management. As evident currently, Degem had in February 2001, appointed an external management consultant, SQC Management Sdn Bhd to assist the Group to create a successful Quality Management System in its bid to achieve ISO 9001 certification. With laid down procedures put in place within an operating system, business decisions of the Group are implemented even more efficiently and effectively.

The Group is confident that active participation by external professionals in the financial and operational decisions of the Group holds the key to enhancing the competitive edge and assisting the Group to achieve leadership status in the jewellery trade.

In conclusion, it is commendable that the key non-family individuals have shown a good measure of loyalty to the Group and who are proud to be associated with the milestones achieved by the Group. Indeed, for these individuals, the successes of the Group continue to inspire them. Against this backdrop, Degem believes that if the time should come for the Group to deal with the issue of management succession, the transition will be smooth and non-disruptive.

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**

---

**8.6 Board of Directors, Senior Management and Employees****8.6.1 Board of Directors**

The Directors of Degem are as follows:

**Encik Hasan bin M. Taib, Chairman**, aged 47, was appointed to the Board on 6 April 2001. He is also a Director of P.Y.T.. En Hasan bin M. Taib began his career in 1978 as a sales supervisor/computer co-ordinator for Redec Travel, which is the general sales agent for Malaysia Airline System in Jeddah, Saudi Arabia. In 1982, he started his own business of general trading and investment in Jeddah. After returning to Malaysia in 1986, he formed Misbah Travel & Tours Sdn Bhd, a company specialises in umrah and haj business. Subsequently, he branched out into property investment and development business in 1986. He presently sits on the Board of Misbah Corporation Sdn Bhd, an investment company that operates a petrol service station in Kuala Lumpur. He is also the chairman of Million Horizon Development Sdn Bhd and Tanjung Istimewa Sdn Bhd, companies whose principal activities are property development.

**Mr Chong Kai Sun @ Choong Kai Sun, Managing Director**, aged 50, was appointed to the Board on 6 April 2001. He is also the managing director in all of Degem's subsidiary companies except for P-Manufacturing, P-Medal and Tong Yek. He founded P.Y.T. in 1982. He has more than 30 years' experience in the jewellery business. He started his career as a jeweller in 1970. Mr Choong Kai Sun brings a wealth of experience to the jewellery industry and is actively involved in the major policy decision making of the Group.

**Tunku Mohd Patani bin Tunku Nong Jiwa**, aged 53, was appointed to the Board on 6 April 2001. He is also a director of P.Y.T. and Inticraft. He started his career in 1972 as an officer trainee in Standard Chartered Bank after graduating with a degree in Economics from Universiti Malaya in 1972. Subsequently, he joined the Urban Development Authority as an officer from 1973 to 1974, followed by Chung Khiaw Bank Ltd as an assistant manager from 1974 to 1980 and eventually left United Asian Bank as an assistant general manager in 1990. Therefore, Tunku Mohd Patani has extensive experience in the banking industry. He is currently a director in Misbah Corporation Sdn Bhd, an investment company that operates a petrol service station in Kuala Lumpur.

**Mr Choong Kai Soon**, aged 42, was appointed to the Board on 6 April 2001. He is also a director of P.Y.T., P-Jewellers, P-Ampang, Diamond & Platinum, Inticraft, P-Manufacturing, Tong Yek, Diamond Mart and Telenaga. He started his career working as a goldsmith in 1974. He is responsible for the manufacturing divisions of the Group as well as in enforcing quality control during manufacturing and on-the-job training to craftsmen in the Group.

[The remainder of this page is intentionally left blank]

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

**Mr Choong Kai Fatt**, aged 40, was appointed to the Board on 6 April 2001. He is also a Director of P.Y.T., P-Jewellers, P-Ampang, Diamond & Platinum, Inticraft, P-Medal, Diamond Mart and Telenaga. He has more than 20 years' experience in the jewellery business. He joined P.Y.T. in 1983 and is a qualified gemologist since 1989, having studied gemology from the Gemological Institute of America. He is in charge of the purchasing and marketing operations of the Group.

**Mr Choong Khoi Onn**, aged 45, was appointed to the Board on 6 April 2001. He is also a director of P.Y.T., P-Jewellers, P-Ampang, Diamond & Platinum, Inticraft, P-Medal, Diamond Mart, Tong Yek and Telenaga. He obtained a diploma in Financial Accounting from Tunku Abdul Rahman College in 1979 and started his career as an audit assistant with Kassim, Chan & Co. from 1980 to 1981 before joining Poh Yik Goldsmith & Jewellers as the account officer from 1981 to 1982. He joined P.Y.T. in 1982. He is now responsible for the financial and administrative matters of the Group.

**Mr Koh Eng Yeah**, aged 58, was appointed to the Board on 6 April 2001. He became a director of P.Y.T. in 1982 and is also a director of P-Jewellers, P-Ampang, P-Manufacturing, P-Medal and Tong Yek. He holds a Bachelor of Science degree from Nanyang University, Singapore which he obtained in 1969. Currently, he is a committee member of the Goldsmith and Jeweller Association of Selangor. Mr Koh is in charge of the daily operations of the Group's retail outlets.

**Mr Leou Thiam Lai**, aged 45, was appointed to the Board of Degem on 21 May 2001 as an Independent Non-Executive Director. Mr Leou is a Fellow member of the Chartered Association of Certified Accountants (UK), an Associate member of the Malaysian Institute of Taxation and an Associate member of the Institute of Chartered Secretaries and Administrators. He was an audit semi senior with Aljeffri, Siva, Heng and Monteiro from 1980 to 1981 and Baharom Hamdan from 1981 to 1984. He set up his own public accounting firm, Leou & Associates, in 1988 and to date, he still serves as a partner of the firm.

**Encik Ahmad bin Habib**, aged 54, was appointed to the Board of Degem on 21 May 2001 as an Independent Non-Executive Director. Encik Ahmad graduated with a diploma in Banking Studies from the Mara Institute of Technology in 1971. He also holds a Bachelor in Science (Finance) as well as a Master in Business Administration from Northern Illinois University, USA. He was an Executive Officer with Bank Negara Malaysia from 1971 to 1974 before leaving for the USA to further his studies. He then joined Amanah Chase Merchant Bank Bhd in 1978 and was promoted to manager in the corporate finance department before he left in 1982. Subsequently he joined Ambang Corporation Sdn Bhd as the corporate planner in 1982. He left in the same year to join Kuala Lumpur Commodities Clearing House Sdn Berhad as the deputy chief executive and left in 1984 as the acting chief executive. In 1985, he was with Construction and Supplies House Bhd as the general manager of the corporate planning department and left in the same year to join Selcomm Corporation Sdn Bhd, a company trading in locally made and imported electronic products as a director until todate. At present, he also sits on the board of Ambang Corporation Sdn Bhd, Leasing Corporation Sdn Bhd, Associated Koalin Industries Bhd, AKI Labuan Ltd., M-Information System Solution Sdn Bhd, Mutual Resources Sdn Bhd, Suara. Net. Sdn Bhd and RDS Network Sdn Bhd.



---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**

---

**Mr Chuah Teong Aung**, aged 62, was appointed to the Board of Degem on 21 May 2001 as an Independent Non-Executive Director. He graduated with a Bachelor of Science (Electrical Engineering) degree from the Taiwan University, Taiwan and a Masters in Science (Electrical Engineering) from the University of Manchester, United Kingdom in 1963 and 1965 respectively. He is a first grade engineer certified by Tenaga Nasional Berhad and also a chartered engineer certified by the Institute of Electrical Engineering, United Kingdom. He was attached with ABB, Sweden as an engineer in 1965 and was promoted to project engineer before he left in 1973. Subsequently, he started his own business, TEG Engineering Sdn Bhd in 1973, a company which is principally involved in electrical engineering activities.

**8.6.2 Directors' Directorships and Major Shareholdings in all Other Public Companies for the Past Two (2) Years**

Encik Ahmad bin Habib sits on the board of Associated Koalin Industries Bhd and AKI Labuan Ltd.

Saved as disclosed above, none of the directors have directorships and major shareholdings in all other public companies for the past two (2) years.

**8.6.3 Directors' Remuneration and Benefits**

No remuneration and fees were paid to the Directors of Degem for services rendered to the Company and its subsidiary companies for the financial year ended 31 December 2000. For the financial year ending 31 December 2001, the amount payable to the Directors for services rendered to the Company and its subsidiary companies is estimated to be RM2,100,000.

**8.6.4 Senior Management**

The Board of Directors is assisted by a team of experienced management and professional personnel. The management team of the Degem Group is headed by the Managing Director, Mr Chong Kai Sun @ Choong Kai Sun. Particulars of the key management personnel are as follows:-

**Mr Choong Kay Cheong**, aged 38, is a director of Diamond & Platinum since September 1999. He graduated with a degree in Bachelor of Engineering (Civil) Hons. from Universiti Teknologi Malaysia in 1986 and obtained his Master of Engineering (Civil) from the University of Auckland, New Zealand in 1990. In 1991, he joined Syarikat Perusahaan Yuza Sdn Bhd as a project manager and project engineer. He then formed CSTS Sdn Bhd in 1996 to undertake civil engineering and construction projects in the private sector before co-founding Diamond & Platinum in 1999.

[This remainder of this page is intentionally left blank]

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

**Mr Choong Sin Cheong**, aged 34, was appointed to the Board of Diamond & Platinum and Diamond Mart on September 1999 and May 1999 respectively. He graduated with a diploma in Commerce (Management Accounting) in 1991 from Tunku Abdul Rahman College. He started his career as an Accounts Executive with Anshin Steel Service Sdn Bhd, a company which is involved in the manufacturing of steel coils, in 1991. From 1993 to 1995, he was an account executive for Syarikat Perusahaan Yuza Sdn Bhd, a company which is involved in property development. He joined P.Y.T. in 1995 as an accounts & administration manager. He was appointed as the Branch Manager of P.Y.T. in 1996. Mr Choong Sin Cheong has also completed a certificate in diamond study from the Gemological Institute of America in 1996.

**Mr Saw Fook Fah**, aged 39, joined P.Y.T. in November 1985 as a sales assistant and was promoted to sales manager in May 1995. He was appointed as a director of P-Ampang in December 1999 and takes charge of the daily operations of the retail outlet located in Ampang Point. He has a total of 22 years' experience in the jewellery industry.

**Mr Kong Choon Hong @ Kang Choon Hong**, aged 36, is currently the Senior Sales Manager of P.Y.T.. He joined P.Y.T. in 1984 as a sales representatives. In 1994, he was promoted to branch manager for the Bangsar retail outlet. He has extensive experience in retail sales and also specialises in individual or company's customised orders. Mr Kong Choon Hong @ Kang Choon Hong has also completed a course in coloured stones in 1993 from Asian Institute of Gemological Science, Bangkok. Presently, he is pursuing a gemology course from The Gemological Institute of America.

**Madam Lai Moi Foong**, aged 45, is currently the Senior Sales Manager of P.Y.T.. She was a sales executive for P.Y.T. from 1983 to 1985. She was made a senior sales executive in 1985. In 1995, she was appointed as the senior showroom manager for P.Y.T.. She has long and extensive experience in retail sales and also specialises in taking individual customer's order.

**Miss Yeoh Pek Huang**, aged 40, joined P.Y.T. in October 1990 and is currently the Finance Manager. She graduated with a Master of Business Administration from the University of Honolulu in 1999. Prior to joining P.Y.T., she was the manager of Sin Hap Huat Mill, a company which is involved in the manufacturing of noodles, from 1986 to 1989.

**Mr Wong Wai Yoon**, aged 48, joined P.Y.T. in September 1991 and is currently the Sales Manager. He started his career as a sales supervisor of Tai Kwong Goldsmith from 1969 to 1990 after completing his General Certificate of Education in 1968. He has approximately thirty (30) years of experience in the jewellery industry and extensive knowledge in retail sales and marketing of jewellery.

**Miss Ng Ai Lian**, aged 31, is the Human Resource Manager of P.Y.T. since January 2000. She graduated with a degree in Bachelor of Management (Hons) majoring in human resource management from Universiti Sains Malaysia in 1995. She started her career as a production planning officer in Intel Technology (M) Sdn Bhd in 1995. Following that, she was employed as a human resource executive in Posim Bhd from 1996 to 1998. Prior to joining P.Y.T., she was an assistant human resource and administration manager in Carling Engineering (M) Sdn Bhd from 1998 to 2000.

## 8. INFORMATION ON THE DEGEM GROUP *(cont'd)*

**Mr Chong Kian Fah**, aged 32, is the Accountant of P.Y.T. since September 1999. He is a member of the Malaysian Institute of Accountants and Malaysian Association of Certified Public Accountants. He started his career in Ernst & Young in 1993 and left as an audit senior in 1999. He then joined Region System Sdn Bhd, a company which is involved in the manufacturing of nails and fasteners in January 1999 as an accounting manager, before joining P.Y.T..

**Ms Koh Yoke Leng**, aged 31, is the Senior Designer of the Group. In 1991, she obtained a certificate in jewel design from the Malaysian Institute of Art and subsequently, won the Diamonds Today Design Awards in the Working Women Category, 1991. She joined P.Y.T. as a jewellery designer in 1991. In 1993, she won the Singapore International Diamond Design Competition in the Pret a Proter Jewellery Category. She was also a winner in the Hong Kong Diamond for Modern Women Design Competition in 1995.

**Ms Lee Wai Ming**, aged 33, is the Senior Designer of the Group. In 1990, she became a trainee designer with P.Y.T.. In 1993, she obtained the Fine Art Certificate from Central Academy of Art, Malaysia. In 1991, she won the Diamonds Today Design Awards in the Modern Women Category. She won two awards in Diamonds Today Design Award 1993 in the Elite & Ethic Category by De Beers. In 1994, she obtained a certificate in jewellery design by Ridgeville Ltd., Hong Kong. In 1996, she was selected as one of the best 20 in the Golden Design Award 1996 by World Gold Council.

### 8.6.5 Shareholding of the Senior Management

Name	Nationality	No. of Degem Shares Held After the IPO			
		Direct		Indirect	
		No.	%	No.	%
Choong Kay Cheong	Malaysian	-	-	^23,100,001	55.0
Choong Sin Cheong	Malaysian	-	-	^23,100,001	55.0
Saw Fook Fah	Malaysian	#10,000	0.02	-	-
Kong Choon Hong @ Kang Choon Hong	Malaysian	#10,000	0.02	-	-
Lai Moi Foong	Malaysian	#10,000	0.02	*23,100,001	55.0
Yeoh Pek Huang	Malaysian	#10,000	0.02	-	-
Wong Wai Yoon	Malaysian	#10,000	0.02	-	-
Ng Ai Lian	Malaysian	#10,000	0.02	-	-
Chong Kian Fah	Malaysian	#10,000	0.02	-	-
Koh Yoke Leng	Malaysian	#10,000	0.02	-	-
Lee Wai Ming	Malaysian	#10,000	0.02	-	-

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

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

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

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*

---

**8.6.6 Declarations from the Directors and Management Team**

No Director or key management personnel of Degem is or has been involved in any of the following events:

- (i) a petition under any bankruptcy or insolvency 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 director or key personnel;
- (ii) a conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (iii) being the subject of any order, judgment or ruling of any court, tribunal or government 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 and engaging in any type of business practice or activity.

**8.6.7 Family Relationship**

Chong Kai Sun @ Choong Kai Sun, Choong Kai Soon, Choong Kai Fatt, Choong Khoi Onn, Choong Kay Cheong and Choong Sin Cheong are brothers. Kong Choon Hong @ Kang Choon Hong is the brother-in-law of Choong Kai Fatt. Lai Moi Foong is the wife of Chong Kai Sun @ Choong Kai Sun. Save as disclosed above, none of the other members of the Board of Directors and senior management team is related to each other.

**8.6.8 Service Agreement**

None of the Directors and key management of the Company has any existing or proposed service agreements with the Company or any of its subsidiary companies at the date of this Prospectus.

[The remainder of this page is intentionally left blank]

## 8. INFORMATION ON THE DEGEM GROUP *(cont'd)*

### 8.6.9 Audit Committee

Degem has set up an Audit Committee on 21 May 2001. The Committee comprises the following Board members:-

<b>Name</b>	<b>Responsibility</b>	<b>Directorship</b>
Leou Thiam Lai	Chairman	Independent and Non-Executive Director
Ahmad bin Habib	Member	Independent and Non-Executive Director
Chuah Teong Aung	Member	Independent and Non-Executive Director
Choong Khoi Omn	Member	Executive Director

The main functions of the Audit Committee include the following:

- to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the companies within the Group;
- to oversee all matters relating to external audit including the review of audit plan and audit report;
- to oversee the internal audit department including the evaluation of the standards of internal control and financial reporting;
- to review statutory financial statements; and
- undertake such other responsibilities as may be agreed to by the committee and the Board.

### 8.6.10 Employees

As at 15 August 2001, the Degem Group has a total of 257 employees, of which 24 are management and professional staff.

Generally, the Group's employees can be categorised as follows:-

<b>Category</b>	<b>Number of employees</b>	<b>Average number of years of service within Degem Group</b>
Management	24	9.21
Executive	41	3.60
Skilled/Semi-Skilled Workers	57	4.53
Clerical/General	135	2.02

The employees of the Degem Group do not belong to any union organisations and the management maintains a good working relationship with the employees.

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*


---

**8.7 Subsidiary and Associated Companies**

Information on the Company's subsidiary companies as at the date of this Prospectus is as follows:-

<b>Company</b>	<b>Date of incorporation</b>	<b>Issued &amp; paid-up share capital RM</b>	<b>Effective interest %</b>	<b>Principal activities</b>
P.Y.T.	30.10.82	1,914,750	100	Investment holding and trading in gold and jewellery
P-Jewellers	14.08.91	1,000,000	100	Investment holding and trading in gold and jewellery
P-Ampang	13.10.99	2,000,000	90	Trading in gold and jewellery
Diamond & Platinum	03.09.99	1,000,000	60	Trading in diamonds and jewellery
Inticraft	17.11.97	500,000	100	Manufacturing and trading in gold and jewellery
P-Medal	08.11.85	445,600	100	Trading in gold medals and badges
Tong Yek	01.03.84	540,000	100	Investment holding
Diamond Mart	17.03.97	1,000,000	100	Property investment
Telenaga	30.12.96	1,000,000	100	Property investment
P-Manufacturing	24.07.91	50,000	100	Inactive

As at the date of this Prospectus, Degem does not have any associated companies.

[The remainder of this page is intentionally left blank]

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*


---

**(i) P.Y.T.****(a) Incorporation and History**

P.Y.T. is a wholly-owned subsidiary of Degem. It was incorporated on 30 October 1982 in Malaysia as a private limited company under the Companies Act, 1965 under the name of Thye Loong Goldsmiths & Jewellers Sdn Bhd. On 16 November 1984, the company changed its name to Poh Yik Thye Jewellers Sdn Bhd and adopted its present name on 8 December 1993.

**(b) Business**

The principal activities of P.Y.T. are investment holding and trading in gold and jewellery. P.Y.T. has a staff strength of 77 employees as at 15 August 2001.

**(c) Share Capital**

The authorised share capital of P.Y.T. is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each, of which 1,914,750 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of P.Y.T. since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
30.10.1982	2	Subscribers' shares	2
15.08.1983	425,498	Cash	425,500
24.10.1984	212,750	Cash	638,250
31.07.1988	638,250	Cash	1,276,500
01.09.1991	638,250	Cash	1,914,750

**(d) Subsidiary and Associated Companies**

As at the date of this prospectus, P.Y.T. has nine (9) subsidiary companies, namely P-Jewellers, Inticraft, P-Medal, Diamond Mart, P-Ampang, Tong Yek, Diamond & Platinum, Telenaga and P-Manufacturing. Presently, P.Y.T. does not have any associated companies.

[The remainder of this page is intentionally left blank]

**8. INFORMATION ON THE DEGEM GROUP (cont'd)****(e) Profit and Dividend Record***Group*

The following set out the audited consolidated results of the P.Y.T. Group for the past five (5) financial years ended 31 December 2000 and three (3) months period ended 31 March 2001:-

	←----- Year Ended 31 December -----→					3 months period ended 31 March
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover <sup>1</sup>	75,828	91,060	53,957	66,444	88,039	18,069
Profit before taxation <sup>2</sup>	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 interests	-	-	-	(131)	(837)	(138)
Profit after taxation and minority interests	6,945	6,149	4,027	8,918	8,716	2,234
Number of shares in issue ('000)	1,915	1,915	1,915	1,915	1,915	1,915
Net EPS (sen)	362.66	321.10	210.29	465.69	455.14	466.63*
Gross dividend rate (%)	10.0	10.0	10.0	10.0	10.0	-

\* *Annualised*

*Notes:*

- The increase in turnover from 1996 to 1997 was mainly due to buoyant economic condition. The performance of P.Y.T. improved significantly owing to increase demand and encouraging response from exhibition sales. The increase in turnover was also contributed by the opening of new outlets. The decrease in turnover in 1998 was mainly due to economic recession. The increase in turnover in 2000 was mainly due to an improved economic condition as compared to previous year and the opening of three new outlets namely in State New Town Petaling Jaya, Sungei Wang Plaza and Sunway Pyramid.*
- Profits decreased in 1997 despite the increase in turnover in 1997 due to forex losses and change in product mix. Diamonds and gemstones are sold at higher profit margins. Therefore, the sale of more gold jewellery as compared to diamonds and gemstones during the year resulted in lower profits. Profits increased significantly by 78% in 1999 compared to 1998 due to the recovery of the Malaysian economy.*
- No extraordinary items were recorded for the financial years ended 31 December 1996 to 2000.*



**8. INFORMATION ON THE DEGEM GROUP** (cont'd)*Company*

The following set out the audited results of P.Y.T. for the past five (5) financial years ended 31 December 2000 and three (3) months period ended 31 March 2001:-

	←----- Year Ended 31 December -----→					3 months
	1996	1997	1998	1999	2000	period ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31 March
						2001
						RM'000
Turnover	39,121	38,155	25,188	29,901	39,524	9,099
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
Number of shares in issue ('000)	1,915	1,915	1,915	1,915	1,915	1,915
Net EPS (RM)	149.03	80.05	84.13	98.96	51.12	17.96*
Gross dividend rate (%)	10.0	10.0	10.0	10.0	10.0	-

\* *Annualised*

*Notes:*

- The turnover of P.Y.T. was affected by the economic crisis faced by Malaysia, resulting in a decline from 1997 to 1998. However, as the economy recovered, P.Y.T. generated a higher turnover in 1999. The increase in turnover in 2000 was mainly due to an improved economic condition which resulted in increased demand for jewellery.*
- Profit for the Group generally follows the trend for turnover with the exception of 1999. Although turnover increased in 1999, profit decreased due to the change in product mix. The product mix comprised more of gold jewellery rather than gemstones jewellery, which contributed to the lower profit margin. The lower profits in 2000 was mainly due to lower profit margin.*

**(ii) P-Jewellers****(a) Incorporation and History**

P-Jewellers is a 100% owned subsidiary of P.Y.T. It was incorporated on 14 August 1991 in Malaysia as a private limited company under the Companies Act, 1965.

**(b) Business**

The principal activities of P-Jewellers are investment holding and trading in gold and jewellery. P-Jewellers has a staff strength of 52 employees as at 15 August 2001.

**8. INFORMATION ON THE DEGEM GROUP (cont'd)****(c) Share Capital**

The authorised share capital of P-Jewellers is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of P-Jewellers since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
14.08.1991	2	Subscribers' shares	2
15.12.1991	628,262	Cash	628,264
15.12.1991	371,736	Other than cash*	1,000,000

\* shares issued in consideration for stocks brought in

**(d) Subsidiary and Associated Companies**

As at the date of this Prospectus, P-Jewellers has a subsidiary which is Telenaga. Presently, P-Jewellers does not have any associated company.

**(e) Profit and Dividend Record**

The following set out the audited results of P-Jewellers for the past five (5) financial years ended 31 December 2000 and three (3) months period ended 31 March 2001:-

	←----- Year Ended 31 December -----→					3 months
	1996	1997	1998	1999	2000	period ended 31 March 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	47,109	63,683	35,761	42,558	50,290	8,728
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
Number of shares in issue ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Net EPS (sen)	390.9	432.9	212.6	572.5	151.0	355.6*
Gross dividend rate (%)	10.0	10.0	20.0	-	-	-

\* Annualised

Notes:

1. In 1998, turnover declined compared to 1997 due to the economic crisis in Malaysia. However, as the economy recovered in 1999, turnover increased.
2. Likewise, profits in 1998 were lower due to the lower turnover. This is attributable to the lower profit margin as the product mix comprised more of gold jewellery rather than gemstones. The lower profits in 2000 were mainly due to lower profit margin.

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**


---

**(iii) P-Ampang****(a) Incorporation and History**

P-Ampang is a 90.0% owned subsidiary of P.Y.T. It was incorporated on 13 October 1999 in Malaysia as a private limited company under the Companies Act, 1965 under the name of Guwera Corporation Sdn Bhd. On 23 November 1999, the company adopted its present name.

**(b) Business**

The principal activity of P-Ampang is trading in gold and jewellery. P-Ampang has a staff strength of 11 employees as at 15 August 2001.

**(c) Share Capital**

The authorised share capital of P-Ampang is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 2,000,000 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of P-Ampang since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
13.10.1999	2	Subscribers' shares	2
28.04.2000	1,899,998	Other than cash*	1,900,000
29.04.2000	100,000	Cash	2,000,000

\* shares issued in consideration for stocks brought in

**(d) Subsidiary and Associated Companies**

Presently, P-Ampang does not have any subsidiary or associated company.

**(e) Profit and Dividend Record**

The audited results of P-Ampang for the financial year ended 31 December 2000 and three (3) months period ended 31 March 2001 are as follows:-

<b>For the financial period from</b>	<b>13 October 1999 to 31 December 2000 RM'000</b>	<b>3 months period ended 31 March 2001 RM'000</b>
Turnover	5,492	1,131
Profit before taxation	428	284
Taxation	(128)	(81)
Profit after taxation	300	203
Number of shares in issue ('000)	2,000	2,000
Net EPS (sen)	12.3*	40.6*
Gross dividend rate (%)	-	-

\* Annualised

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**


---

**(iv) Diamond & Platinum****(a) Incorporation and History**

Diamond & Platinum is a 60.0% owned subsidiary of P.Y.T. It was incorporated on 3 September 1999 in Malaysia as a private limited company under the Companies Act, 1965.

**(b) Business**

The principal activity of Diamond & Platinum is trading in diamonds and jewellery. Diamond & Platinum has a staff strength of 45 employees as at 15 August 2001.

**(c) Share Capital**

The authorised share capital of Diamond & Platinum is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital Diamond & Platinum since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
03.09.1999	2	Subscribers' shares	2
24.09.1999	99,998	Cash	100,000
21.08.2000	900,000	Cash	1,000,000

**(d) Subsidiary and Associated Companies**

Presently, Diamond & Platinum does not have any subsidiary or associated company.

[The remainder of this page is intentionally left blank]

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*


---

**(e) Profit and Dividend Record**

The following sets out the audited results of Diamond & Platinum since incorporation:-

	<b>For the financial period from 3 September 1999 to 31 December 1999 RM'000</b>	<b>For the financial year ended 31 December 2000 RM'000</b>	<b>3 months period ended 31 March 2001 RM'000</b>
Turnover	1,533	13,694	4,095
Profit before taxation	342	2,801	434
Taxation	(15)	(784)	(141)
Profit after taxation	327	2,017	293
Number of shares in issue ('000)	100	1,000	1,000
Net EPS (sen)	994.6*	201.70	117.2*
Gross dividend rate (%)	-	-	-

\* *Annualised*

*Note:*

- The increase in turnover in 2000 was mainly due to the opening of two outlets in Sungei Wang Plaza and Sunway Pyramid. Nonetheless, profit did not increase in tandem with the increase in turnover mainly due to lower profits margin resulting from more competitors selling platinum jewellery.*

**(v) Inticraft****(a) Incorporation and History**

Inticraft is a wholly-owned subsidiary of P.Y.T. It was incorporated on 17 November 1997 in Malaysia as a private limited company under the Companies Act, 1965.

**(b) Business**

The principal activities of Inticraft are manufacturing and trading in gold and jewellery. Inticraft has a staff strength of 71 employees as at 15 August 2001.

**(c) Share Capital**

The authorised share capital of Inticraft is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 500,000 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of Inticraft since its incorporation are as follows:-

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Cumulative issued and paid-up share capital RM
17.11.1997	2	Subscribers' shares	2
09.07.1999	499,998	Cash	500,000

**(d) Subsidiary and Associated Companies**

Presently, Inticraft does not have any subsidiary or associated company.

**(e) Profit and Dividend Record**

The following set out the audited results of Inticraft for the financial year ended 31 December 2000 and three (3) months period ended 31 March 2001:-

	←---- Year Ended 31 December ----→		3 months period ended 31 March
	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	2,542	46,501	9,279
Profit before taxation	508	7,842	1,594
Taxation	(22)	(682)	(161)
Profit after taxation	486	7,160	1,433
Number of shares in issue ('000)	500	500	500
Net EPS (sen)	97.2	1,432.0	1,146.4*
Gross dividend rate (%)	-	-	-

\* Annualised

Notes:

1. Inticraft commenced operations in 1999 and as such, no profit and loss account was prepared for the prior years.
2. The significant increase in turnover and profit in 2000 was mainly due to the consolidation of manufacturing operations of the Group under Inticraft.
3. The low effective tax rates were due to the tax incentives under the pioneer status enjoyed by the company.

**(vi) P-Manufacturing****(a) Incorporation and History**

P-Manufacturing is a wholly-owned subsidiary of Tong Yek. It was incorporated on 24 July 1991 in Malaysia as a private limited company under the Companies Act, 1965.

**8. INFORMATION ON THE DEGEM GROUP (cont'd)****(b) Business**

P-Manufacturing is an inactive company. P-Manufacturing does not have any staff as at 15 August 2001.

**(c) Share Capital**

The authorised share capital of P-Manufacturing is RM200,000 comprising 200,000 ordinary shares of RM1.00 each, of which 50,000 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of P-Manufacturing since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
24.07.1991	2	Subscribers' shares	2
20.11.1993	49,998	Cash	50,000

**(d) Subsidiary and Associated Companies**

Presently, P-Manufacturing does not have any subsidiary or associated company.

**(e) Profit and Dividend Record**

The following set out the audited results of P-Manufacturing for the past five (5) financial years ended 31 December 2000 and three (3) months period ended 31 March 2001:-

	←-----Year ended 31 December -----→					<b>3 months period ended 31 March 2001</b>
	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Turnover	3,193	3,095	3,065	1,946	-	-
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)
Number of shares in issue ('000)	50	50	50	50	50	50
Net EPS/ (LPS) (sen)	90.00	60.00	150.00	146.00	(26.00)	(8.0)*
Gross dividend rate (%)	-	-	-	-	-	-

\* *Annualised*

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**


---

*Notes:*

1. *The turnover and profit have been declining from 1996 to 1997 due to the discontinuation of some production lines. However, profit increased in 1998 due to the change in product mix (more gemstones jewellery) which resulted in higher profit margins. P-Manufacturing also started its own platinum casting production instead of contracting out to other manufacturers. This resulted in lower manufacturing costs, thus higher profit margins. In 1999, P-Manufacturing transferred its manufacturing and trading operations to Inticraft, in order to achieve a higher degree of production cost efficiency.*
2. *In 2000, the company ceased operation and the losses incurred in the financial year were mainly due to administration expenses.*

**(vii) P-Medal**

**(a) Incorporation and History**

P-Medal is a wholly-owned subsidiary of P.Y.T. It was incorporated on 8 November 1985 in Malaysia as a private limited company under the Companies Act, 1965 under the name of Poh Yik Thye Jewellers (K.L.) Sdn Bhd and adopted its present name on 20 December 1989.

**(b) Business**

The principal activity of P-Medal is trading in gold medals and badges. P-Medal does not have any staff as at 15 August 2001. However, the operation costs of P-Medal are fully absorbed by its holding company, P.Y.T.

**(c) Share Capital**

The authorised share capital of P-Medal is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 445,600 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of P-Medal since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
08.11.1985	2	Subscribers' shares	2
10.04.1986	2,798	Cash	2,800
10.04.1986	220,000	Other than cash*	222,800
30.12.1989	222,800	Other than cash**	445,600

*Notes:*

\* *shares issued in consideration for stocks brought in*

\*\* *shares issued in consideration for fixed assets brought in*



**8. INFORMATION ON THE DEGEM GROUP (cont'd)****(d) Subsidiary and Associated Companies**

Presently, P-Medal does not have any subsidiary or associated companies.

**(e) Profit and Dividend Record**

The following set out the audited results of P-Medal for the past five (5) financial years ended 31 December 2000 and three (3) months period ended 31 March 2001:-

	←-----Year ended 31 December -----→					3 months period ended 31 March 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Turnover	1,176	1,156	1,208	1,202	681	-
Profit/(Loss) before taxation	208	327	342	(17)	34	3
Taxation	(62)	(86)	(105)	7	(10)	-
Profit/ (Loss) after taxation	146	241	237	(10)	24	3
Number of shares in issue ('000)	446	446	446	446	446	446
Net EPS/ (LPS) (sen)	32.74	54.04	53.14	(2.24)	5.38	2.69*
Gross dividend rate (%)	-	-	90.0	-	90.0	-

\* Annualised

*Notes:*

1. Turnover increased in 1996 and 1998 due to new products being manufactured, in addition to the manufacturing of medals for the Istana of Sabah. The decrease in turnover and profits in 2000 were mainly due to the decline in orders from the Istana of Sabah.
2. Profit increased significantly in 1996 due to the manufacturing of new products. A loss was recorded in 1999 due to P-Medal winding down its manufacturing and transferring its trading operations to Inticraft in order to achieve a higher degree of production cost efficiency.

**(viii) Tong Yek****(a) Incorporation and History**

Tong Yek is a wholly-owned subsidiary of P.Y.T. It was incorporated on 1 March 1984 in Malaysia as a private limited company under the Companies Act, 1965.

**(b) Business**

The principal activity of Tong Yek is investment holding. Tong Yek has a staff strength of 1 employee as at 15 August 2001.

**8. INFORMATION ON THE DEGEM GROUP** (cont'd)**(c) Share Capital**

The authorised share capital of Tong Yek is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 540,000 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of Tong Yek since its incorporation are as follows:

<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
01.03.1984	2	Subscribers' shares	2
17.06.1984	439,998	Cash	440,000
17.06.1984	100,000	Other than cash*	540,000

Note:

\* shares issued in consideration for stocks brought in

**(d) Subsidiary and Associated Companies**

As at the date of this Prospectus, Tong Yek has a subsidiary which is P-Manufacturing. Presently, Tong Yek does not have any associated company.

**(e) Profit and Dividend Record**

The following set out the audited results of Tong Yek for the past five (5) financial years ended 31 December 2000 and three (3) months period ended 31 March 2001:

	←-----Year ended 31 December -----→					3 months period ended 31 March 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Turnover	11,137	14,073	9,241	13,424	3,979	-
Profit before taxation	448	601	596	504	(15)	(10)
Taxation	(140)	(340)	(30)	-	(15)	-
Profit/ (Loss) after taxation	308	261	566	504	(30)	(10)
Number of shares in issue ('000)	540	540	540	540	540	540
Net EPS/ (LPS) (sen)	57.04	48.33	104.81	93.33	(5.56)	(7.41)*
Gross dividend rate (%)	-	-	40.0	-	-	-

\* Annualised

---

**8. INFORMATION ON THE DEGEM GROUP (cont'd)**


---

*Notes:*

1. *Turnover dropped significantly in 1998 due to the economic crisis in Malaysia. However, the profits did not decline proportionately due to foreign exchange gains as a result of the pegging of the RM to the USD at RM3.80:USD1.00. The significant decrease in turnover and the losses suffered in 2000 were mainly due to cessation of manufacturing operation in January 2000.*
2. *Although turnover increased in 1996 and 1999, profits decreased due to the change in product mix which resulted in lower profit margin. The product mix comprised more of gold jewellery rather than gemstones jewellery.*

**(ix) Diamond Mart**

**(a) Incorporation and History**

Diamond Mart is a wholly-owned subsidiary of P.Y.T. It was incorporated on 17 March 1997 in Malaysia as a private limited company under the Companies Act, 1965 under the name of Sanprise Sdn Bhd before adopting its present name on 8 February 1999.

**(b) Business**

Diamond Mart is a property investment company. Diamond Mart does not have any employees as at 15 August 2001.

**(c) Share Capital**

The authorised share capital of Diamond Mart is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of Diamond Mart since its incorporation are as follows:-

<b>Date of Allotment</b>	<b>No. of ordinary shares of RM1.00 each allotted</b>	<b>Consideration</b>	<b>Cumulative issued and paid-up share capital RM</b>
17.03.1997	2	Subscribers' shares	2
06.05.1999	99,998	Cash	100,000
31.03.2001	900,000	Cash	1,000,000

**(d) Subsidiary and Associated Companies**

Presently, Diamond Mart does not have any subsidiary or associated companies.

**8. INFORMATION ON THE DEGEM GROUP (cont'd)****(e) Profit and Dividend Record**

The following set out the audited results of Diamond Mart for financial period ended from 1 April 2000 to 31 December 2000 and three (3) months period ended 31 March 2001:

Financial period ended from	1 April 2000 to 31 December 2000 RM'000	3 months period ended 31 March 2001 RM'000
Turnover	-	-
Profit before taxation	(11)	(5)
Taxation	-	-
Profit/ (Loss) after taxation	(11)	(5)
Number of shares in issue ('000)	100	100
Net EPS (sen)	(14.7)*	(20.0)*
Gross dividend rate (%)	-	-

\* *Annualised*

*Note:*

- Prior to 31 March 2000, Diamond Mart has not commenced operations. The loss after taxation is due to preliminary and pre-operating expenses written off.*

**(x) Telenaga****(a) Incorporation and History**

Telenaga is a wholly-owned subsidiary of P-Jewellers. It was incorporated on 30 December 1996 in Malaysia as a private limited company under the Companies Act, 1965.

**(b) Business**

The principal activity of Telenaga is property investment. Telenaga does not have any staff as at 15 August 2001.

**(c) Share Capital**

The authorised share capital of Telenaga is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares have been issued and paid-up. Details of the changes in the issued and paid-up share capital of Telenaga since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Cumulative issued and paid-up share capital RM
30.12.1996	2	Subscribers' shares	2
07.06.1999	999,998	Cash	1,000,000

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*


---

**(d) Subsidiary and Associated Companies**

Presently, Telenaga does not have any subsidiary or associated companies.

**(e) Profit and Dividend Record**

The following set out the audited results of Telenaga for the financial year ended 31 December 2000 and 3 months period ended 31 March 2001:-

	<b>Financial year ended 31 December</b>		<b>3 months period</b>
	<b>1999</b>	<b>2000</b>	<b>ended 31 March</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>2001</b>
			<b>RM'000</b>
Turnover	248	294	21
Profit before taxation	49	(36)	(68)
Taxation	-	(2)	-
Profit/ (Loss) after taxation	49	(38)	(68)
Number of shares in issue ('000)	1,000	1,000	1,000
Net EPS (sen)	4.90	(3.80)	(27.2)*
Gross dividend rate (%)	-	-	-

\* *Annualised*

*Note:*

- Telenaga commenced operations in 1999 and as such, there are no profit and loss accounts for the prior years.*

[The remainder of this page is intentionally left blank]

**8. INFORMATION ON THE DEGEM GROUP (cont'd)****8.8 Landed Properties**

The landed properties of the Degem Group are as follows:-

Title/Location	Description/ existing use	Registered owner	Tenure	Total land Area sq. ft.	Age of building (years)	Net book value @ 31.3.2001 RM
HS(D) 37083 (PT 25939, Mukim and District of Kuala Lumpur, Selangor Darul Ehsan)	A double storey mid terraced house	Tong Yek	Freehold	1,540	27	121,839
HS(D) 36941 (PT 25797, Mukim and District of Kuala Lumpur, Selangor Darul Ehsan)	A renovated double storey mid terraced house	P.Y.T.	Freehold	1,540	27	215,075
HS(D) 36898 (PT 25797, Mukim and District of Kuala Lumpur, Selangor Darul Ehsan)	A double storey mid terraced house	P-Medal	Freehold	1,540	27	153,867
HS(D) 39142 (PT 25753, Mukim and District of Kuala Lumpur, Selangor Darul Ehsan)	A double storey mid terraced house	P.Y.T.	Freehold	1,540	27	191,012
HS(D) 36810 (PT 25662, Mukim and District of Kuala Lumpur, Selangor Darul Ehsan)	A renovated three storey mid terraced shop office	P.Y.T.	Freehold	1,680	27	608,100
Parent titles Geran 7486, Lot No. 1438, Geran 7491, Lot No. 323, Geran 1362, Lot No. 322 and C.T. 1226, Lot No. 2145 (No. G14 and G22, Wisma Punca Emas, Jalan Yam Tuan, Seremban, Negeri Sembilan Darul Khusus)	Two continuous commercial lots located on the ground floor of Wisma Punca Emas	Tong Yek	Freehold	394	17	187,288
Geran 915 & 916, No. Lot 22617 & 22618, Mukim of Kuala Lumpur, Daerah Kuala Lumpur	Two continuous three storey mid terraced shop offices	Telenaga	Freehold	2,040 each	9	4,616,532
Level 1-30, 1-31 and 1-32, Amcorp Mall HS(D) 39250 PA. No. 4 Seksyen 26 Bandar Petaling Jaya Daerah Petaling	Three continuous commercial lots located at Level 1 of Amcorp Mall	P.Y.T.	Freehold	3,113	2	3,768,384
Geran 917 & 918, Lot. No. 22619 & 22620, Mukim of Kuala Lumpur, Daerah Kuala Lumpur*	Two continuous three storey mid-terraced shop offices	Diamond Mart	Freehold	2,040 each	9	.*

Notes:

\* By two Sale and Purchase Agreements dated 21 February 2001 entered into between Diamond Mart and Prudential Assurance Malaysia Berhad for the acquisition of two (2) properties for the purchase consideration of RM3,650,000 each. Both transactions were completed on 21 May 2001.

---

**8. INFORMATION ON THE DEGEM GROUP** *(cont'd)*


---

**8.9 Major Licences and Permits**

As at 15 August 2001, save for the principal licences required by the Degem Group as set out below, the Group does not own/hold any major licences and permits:-

<b>Licence</b>	<b>Authority</b>	<b>Approval Date</b>	<b>Main Conditions</b>	<b>Company</b>	<b>Status of Compliance</b>
Manufacturing Licence <i>(Licensed manufacturer since 14 May 1998)</i>	MITI	2 November 1998	(a) At least 70% of its issued and paid-up capital must be held by Malaysian, of which at least 30% of the issued and paid-up capital must be reserved for certain "Special" parties.  (b) The composition of the board must be reflective of its equity structure.  (c) If the company intends to utilise used machineries, prior consent from MITI must be obtained.	Inticraft	In progress
Pioneer Status <i>(From 1 January 2000 to 31 December 2004)</i>	MITI/ MIDA	27 September 2000	(a) At least 70% of its issued and paid-up capital must be held by Malaysian, of which at least 30% of the issued and paid-up capital must be reserved for certain "Special" parties.  (b) The value-added to the products to be produced must be at least 20%.  (c) The company must have at least 45% staff strength in management, technical, supervisory and skilled workers levels over the total staff strength.	Inticraft	In progress

---

## 9. INDUSTRY OVERVIEW

---

### 9.1 Overview of the Malaysian Economy

The Malaysian economy rebounded strongly in 2000 after recovering from the sharp output decline in 1998 and early 1999 following the financial crisis. Economic turnaround, which began in the second quarter of 1999, has since become well-entrenched, underpinned by the return of confidence and a more stable economic environment made possible by the introduction of selective capital controls and pegging of the ringgit. The economic recovery, initially led by the strong performance of external demand, has become broad-based, driven by the increase in aggregate domestic demand following the impact of expansionary fiscal and accommodative monetary policies. Reflecting these trends, real Gross Domestic Product (“GDP”) registered a growth of 10.3% in the first quarter and 8.8% in the second quarter. Based on the performance in the first half of the year and the sustained growth for the second half, real GDP is expected to register a growth of 7.5% in 2000, higher than the estimate of 5.8% announced in February this year when the 2000 Budget was re-tabled in Parliament. Following the expected increase in nominal Gross National Product (“GNP”) of 7.2%, GNP per capital is forecast to register growth of 4.7% to RM12,883 (US\$3,390) (1999: RM12,305 or US\$3,238). In terms of purchasing power parity, per capital income is estimated to increase by 6% to US\$7,716 (1999: US\$7,277). (*Source: Economic Report 2000/2001*)

In April 2001, the Malaysian Institute of Economic Research (“MIER”) revised its gross domestic product (“GDP”) growth forecast for the country for 2001 from 5% to a more realistic 4%, but maintained its 2002 growth forecast at 6%. The latest figure was based on the findings of the business conditions and consumer sentiments (“BCI”) surveys conducted by the institute which showed a decline quarter-on-quarter. The BCI survey was conducted on 600 manufacturing firms which reported slower sales, higher inventories, higher lay-offs, excess capacity and slower investments. The 4% growth forecast would also depend on developments in Malaysia’s major trading partners, particularly the US and Japan, as the country is an open economy and is exposed to external influences. According to MIER, with slower economic growth in the US and Japan and cautious spending slowing down domestic demand, manufacturers previously operating at 80%-100% capacity are now operating at 60%-80% capacity. (*Source: The Eighth Malaysia Plan 2001-2005*)

Notwithstanding the above, Malaysian economy is projected to grow by an average of 7.5% per year during the Eighth Malaysia Plan (2001 to 2005). (*Source: The Eighth Malaysia Plan 2001-2005*)

### 9.2 Prospects for 2001

The economic outlook for 2001 continues to be favourable. Growth is expected to be sustained by the stronger performance of the private sector which will provide the primary stimulus for growth. The Government will, however, continue to support the private sector in ensuring that growth in economic activities is sustained. In addition to the fiscal stimulus, the Government will continue to support economic growth through measures that promote expansion in domestic demand, development of new sources of growth, strengthen the nation’s competitiveness and resilience whilst improving further the quality of life. (*Source: Economic Report 2000/2001*)

The international economic environment is expected to continue to be conducive with world growth remaining strong at 4.2% (2000: 4.7%). The slower growth anticipated for US (3.2%), is expected to be mitigated by continued growth of Malaysia’s other major trading partners of Japan (1.8%) and the European Union (“EU”) (3.5%). Regional growth is expected to moderate but remain strong at 6% (2000: 6.5%). Growth in world trade is expected to continue to be robust at 7.8%. (*Source: Economic Report 2000/2001*)



---

**9. INDUSTRY OVERVIEW** *(cont'd)*

---

Given the favourable external outlook, real GDP growth for Malaysia is forecast at 7% in 2001. Despite the strong indications that sustainable growth is achievable, some downside risks exist. These risks include the possibility of a larger-than-anticipated slowing down of US economy, which in turn could affect the electronics sector, a slower-than-expected strengthening of private consumption and lower private investment, both domestic and foreign. *(Source: Economic Report 2000/2001)*

With the economy forecast to grow at 7%, new job opportunities will be generated with employment projected to increase by 6.2% from 8.9 million to 9.5 million in 2001. The economy will continue to operate virtually under full employment, with the unemployment rate remaining low at below 3%. The labour market will continue to be stable. New employment prospects are likely to be seen in ICT-related areas even though the manufacturing sector is expected to continue to employ the highest number of registered workers in the country. *(Source: Economic Report 2000/2001)*

The overall income distribution among households in Malaysia improved during the Seventh Plan period. The proportion of lower-income households, defined as those earning less than RM1,500 per month, decreased from 54.4 per cent in 1995 to 43.8 per cent in 1999. The size of middle-income households, defined as those earning between RM1,500 and RM3,500, increased from 32.3 per cent in 1995 to 37 per cent in 1999, bringing Malaysia closer to creating a bigger middle-income class. *(Source: The Eighth Malaysia Plan 2001-2005)*

In line with the overall improvement in income distribution, all ethnic groups registered an increase in household income during the Plan period. The mean monthly gross household income increased from RM2,020 in 1995 to RM2,472 in 1999, registering an average growth rate of 5.2 per cent per annum. This increase was made possible by the creation of greater employment opportunities that enabled more Malaysians to be gainfully employed. *(Source: The Eighth Malaysia Plan 2001-2005)*

The Government will continue to address the issue of income imbalance, particularly among and within ethnic groups, income groups, economic sectors, regions and states. With the expected high economic growth during the Plan period, the middle-income group is expected to increase in size and share of income. As part of a major long-term income distribution objective, the nation will create a bigger and more prosperous middle-income group in addition to increasing income of the lower income group. *(Source: The Eighth Malaysia Plan 2001-2005)*

**9.3 Population Trend and Urban Growth**

The Malaysian population is estimated to reach 26.04 million by 2005, growing at an average annual rate of 2.3 per cent. This growth rate will be lower than that of the Seventh Plan due to the continuing decline in the fertility rate as more women pursue further education and training. Non-citizens will account for 5.3 per cent of the population, increasing at an average annual rate of 2.4 per cent. *(Source: The Eighth Malaysia Plan 2001-2005)*

By 2005, the share of the population in the 0-14 age group will decline to 31.3 per cent while the proportion of those aged 65 and above will increase to 4.3 per cent. The dependency ratio will decline to 55.3 per cent in 2005 while the median age of the population is estimated to be 25.3 years. Urban population is projected to increase at a rate of 3.8 per cent during the Plan period, compared with 4.8 per cent during the previous Plan. By the end of the Plan period, Bumiputera is expected to comprise 67.3 per cent, Chinese 24.5 per cent and Indian 7.2 per cent of the Malaysian citizens. *(Source: The Eighth Malaysia Plan 2001-2005)*

## 9. INDUSTRY OVERVIEW *(cont'd)*

### 9.4 Overview and Prospects of the Jewellery Industry

Jewellery production in Malaysia started on a small scale basis run by individual or family business. The industry started with small scale production mainly on jewellery of gold and silver to supply for local market. Today, the industry has grown and diversified into the manufacture of gold, platinum and costume jewellery. *(Source: Industry Brief, February 2001, Malaysian Industrial Development Authority)*

According to industry sources, there are about 400 goldsmiths. Currently, 42 jewellery companies are issued with manufacturing licenses and 24 companies are approved with investment incentives for pioneer status and investment tax allowance. Out of these 42 companies approved by MIDA, 30 companies have implemented their respective projects. *(Source: Industry Brief, February 2001, Malaysian Industrial Development Authority)*

The Government has also played an important role in promoting the jewellery industry. Jewellery of precious metal and costume jewellery are listed as the promoted products under the Miscellaneous Products/Activities. Jewellery and processed gems are listed as promoted products/activities list for Small Scale Industries. Incentives are given to Small Scale Industries in the form of pioneer status i.e. tax free status over the period of five (5) years. *(Source: Industry Brief, February 2001, Malaysian Industrial Development Authority)*

According to the figures obtained from MIDA, Malaysia exports substantial quantity amount of jewellery and gem products and at the same time imports substantial amount of jewellery and gems, both for further processing and re-export, as well as in the form of consumer products for local market. The following table indicates the past performance of the jewellery industry in relation to the export and import of jewellery:-

	1997	1998	1999	2000 (Jan – Sept)
<b>Export (RM million)</b>	1,634	2,065	2,182	1,973
<b>Import (RM million)</b>	4,842	2,878	4,406	3,685

*(Source: Department of Statistics, Malaysia)*

*(Source: Industry Brief, February 2001 and May 2000, Malaysian Industrial Development Authority)*

Further, the gold demand in Malaysia for the past five (5) years is tabulated as follows:-

	1996	1997	1998	1999	2000
<b>Malaysia Gold Demand (Tonnes)</b>	33.6	30.1	14.4	17.5	21.1

*(Source: Extracted from Gold Demand in Key Markets Worldwide 1995-2001, Gold Demand Trends, May 2001, Issue No. 35, World Gold Council)*

## 9. INDUSTRY OVERVIEW *(cont'd)*

The auspicious year of the Golden Dragon continued to boost weddings and births – traditionally times for presents of gold. Local jewellers maintained the momentum through aggressive promotions during May, coupled with a lower posted gold price from the National Goldsmith Association. In June demand tailed off somewhat on the back of a weaker stock market and an increase in the jewellery association's posted price. Total jewellery demand over the quarter was 3.3 tonnes, while investment offtake was 0.7 tonnes. *(Source: Gold Demand Trends, August 2000, Issue No. 32, World Gold Council)*

Gold demand in South-east Asia, also continued to bounce back from the slump that brought net dishoarding in late 1997 and early 1998. Every country in this region enjoyed an increase in the first quarter of 2000 over year ago levels, with total consumption rising 35%. Jewellery demand was particularly buoyant, rising 59%, with celebrations for the Chinese and Muslim new years and for Valentine's Day all prompting good buying. *(Source: Gold Demand Trends, May 2000, Issue No. 31, Launch Presentation, World Gold Council)*

There was also continued recovery in Malaysia, with demand rising 26% during the first quarter\*. *(Source: Gold Demand Trends, May 2000, Issue No. 31, Launch Presentation, World Gold Council)* \* Refer to year 2000

There were outstanding gains in jewellery consumption for the first half of this year\* in the following countries:-

- ◆ Turkey, up 49%
- ◆ Mexico, up 17%
- ◆ Malaysia, up 22%
- ◆ Taiwan, up 13%
- ◆ Thailand, up 69%
- ◆ United Kingdom, up 12%

*(Source: Gold Demand Trends, August 2000, Issue No. 32, World Gold Council)*

\* Refer to year 2000

The development objectives, strategies and future growth of the jewellery industry will be focusing on improvement of skills in product designing and the development of innovative capabilities. Furthermore, the industry should minimise the use of labour in its production and raising labour productivity by employing more efficient production technology and upgrade of research and development. Jewellery companies will also need to conduct regular market research to ascertain changing taste and preferences since the jewellery business is linked to the fashion industry. Companies will need to adopt effective marketing strategies i.e. to venture into new markets and participate in more trade shows and exhibitions, etc. *(Source: Industry Brief, February 2001, Malaysian Industrial Development Authority)*

### 9.5 Government Policies and Incentives for Jewellery Industry

To promote the local manufacturing of high value-added jewellery, the government has also accorded pioneer status to such industry under the Investment Promotion Act 1986. Jewellery of precious metal and costume jewellery are listed as the promoted products under Miscellaneous Products/Activities. The following criteria have to be met to be eligible for the said incentives:-

- ◆ At least 70% of its issued and paid-up capital must be held by Malaysians, of which at least 30% of the issued and paid-up capital must be reserved for certain "Special" parties;
- ◆ Minimum value added of 20%; and
- ◆ The ratio of management, technical and supervisory group (including craftsmen) to the total employment should not be less than 45%.

## 9. INDUSTRY OVERVIEW *(cont'd)*

Jewellery and processed gems are listed as promoted products in the promoted products/activities listed for Small Scale Industries. Incentives are given to manufacturing company in the form of pioneer status i.e. tax free status for five (5) years with exemption on 70% of its statutory income if the company complies with at least one (1) of the following four criteria:-

- ◆ The company produces components or inputs for supply to other manufacturing projects; or
- ◆ The company's products are substituting imports, where the local material content of the material used is more than 50% in terms of value; or
- ◆ The company exports 50% or more of the total production where exports include sales to companies inside Free Trade Zone and Licensed Manufacturing Warehouse; or
- ◆ The project contributes towards the socio-economic development of the rural population.

The government had gazetted the Trade Descriptions (Articles Made of Precious Metals) Regulations 1994 on the 1 August 1995 to ensure the local jewellery industry conforms to the international recognised standards of fineness. The jewellery produced are required to have the standard of fineness stamp for every gold, silver and platinum item that is sold. The standards of fineness of gold, silver and platinum are recognised internationally as follows:

<b>GOLD</b>		<b>SILVER</b>	<b>PLATINUM</b>
<b>Standard</b>		<b>Standard</b>	<b>Standard</b>
999	24-K	958.4	950
950	22.8-K	925	
916.6	22-K	830	
875	21-K	800	
835	20-K		
750	18-K		
585	14-K		
375	9-K		

Under the abovesaid regulations, the approved standards of fineness must be marked onto the jewellery, which are defined as gold, silver or platinum in its fine form or in alloy. The fineness is denoted in the form of parts per thousand based on the weight of the item. For example, if an item weighs 999gm of gold and the balance is made up of other metal, then the fineness of gold in the item is 999 or 99.9%.

### 9.6 Reliance on Other Industries

On the manufacturing side, the jewellery industry is dependent on the availability of raw products such as diamond and gold and therefore is closely linked to the performance of the mining industry. On the other hand, the retail side is linked to the goods and services industry as most jewellery shops are located in shopping areas like shopping malls.

---

**9. INDUSTRY OVERVIEW** *(cont'd)*

---

**9.7 Substitute Products**

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

Nonetheless, as disposable income increases, there is a human tendency to desire genuine jewellery instead of “fakes” or cheaper substitutes.

**9.8 Demand and Supply Conditions**

The demand for jewellery has a high correlation to disposable income. The pattern of purchases continue to be based on impulse or based on requirements for occasions like weddings and engagements. Sales of jewellery are generally higher during the festive seasons like Hari Raya, Chinese New Year, Christmas and Valentine’s Day which are from December to February. In general, the higher the financial status of a society, the higher the demand for a wide range of jewellery products.

Gold is the essential raw material to the jewellery industry. It is unique in being both an investment medium and a practical metal. Gold has played a prominent role in social and economic fabric of civilization for thousands of years. Until today, millions of people all over the world continue to use gold as a hedge against inflation or as a basic form of savings and a reliable store of value during times of economic uncertainty or political upheaval. Hence, any financial crisis further reassured the demand of gold as a safe and stable assets for individuals.

There are many suppliers in the global market in respect of diamonds and gemstones. The price of diamond is traded over exchanges such as the New York Diamond Exchange. As Diamond is considered a luxury item, the branding of this product is pertinent in attracting increasing consumers demand.

**9.9 Industry Players and Competition**

Jewellery industry is a monopolistically competitive industry as there are many players in the market but the products are differentiated among the players.

Players usually differentiate themselves through price, design, quality and after-sale service. Location of the jewellery store is another factor which will determine the type of market they target at. Some players concentrate only in gold while others offer a combination of gold, diamonds and other precious stones like ruby, sapphire, emerald and jade as well as pearls. Those purely in retail normally compete through price reduction thereby reducing their returns. Players with manufacturing facilities have a significant cost advantage over those purely in retail.

[The remainder of this page is intentionally left blank]

**9. INDUSTRY OVERVIEW** (cont'd)

The key players in the industry with similar activities as that of the Degem Group are as follows:-

Key Players	Principal Activities	Financial Year Ended	Group Turnover RM'000	Group Profit Before Tax RM'000	No. of Outlets
Degem	Degem is principally an investment and property holding company and its subsidiary companies are principally involved in manufacturing and/or trading in gold, diamonds and gemstones jewellery.	31 December 2000	88,039	12,253	11 <sup>(5)</sup>
Habib Corporation Bhd <sup>(1)</sup> ("Habib")	Habib is principally an investment holding company with the provision of management services and its subsidiary companies are principally involved in jewellers (primary, retailing and wholesaling) dealer in gold, bullion and gemstones; manufacturing of jewellery; jewels franchising.	31 December 2000	120,624	11,742	10 <sup>(6)</sup>
Nexnews.com Bhd (formerly known as Gemtech Resources Bhd) <sup>(2)</sup> ("Nexnews.com")	Nexnews.com is principally an investment holding, with subsidiary companies carrying on the business of manufacture and export of gold ornaments and jewellery.	For the eleven (11) months ended 31 December 2000	48,679	(1,815)	NA
Poh Kong Jewellers Sdn Bhd <sup>(3)</sup>	Suppliers and retailers of jewellery, precious stones and gold ornaments.	31 July 2000	93,293	4,043	50 <sup>(6)</sup>
Selberan Jewellery Sdn Bhd <sup>(4)</sup>	Manufacture and sale of jewellery.	30 June 2000	23,105	2,358	4 <sup>(6)</sup>

*Notes:-*

- (1) *Annual Report of Habib Corporation Bhd for financial year ended 31 December 2000.*
- (2) *Annual Report of Nexnews.com Bhd for the eleven (11) months ended 31 December 2000. On 9 August 2000, the name of the company was changed from Gemtech Resources Bhd to Nexnews.com Bhd. In June 2000, Net Edge Online Sdn Bhd became the company's largest shareholder and assumed management of the company. Its earlier agreements to acquire interest, in The Edge Communications Sdn Bhd and Sun Media Corporation Sdn Bhd have since lapsed/terminated vide its announcement to KLSE dated 14 March 2001.*
- (3) *Extracted from the audited accounts for financial year ended 31 July 2000 (Registrar of Companies, Malaysia).*
- (4) *Extracted from the audited accounts for financial year ended 30 June 2000 (Registrar of Companies, Malaysia).*
- (5) *Degem has just opened an additional outlet at The Mall on 4 August 2001.*
- (6) *Extracted from the latest brochures of the respective companies.*
- NA *Not available*

---

**9. INDUSTRY OVERVIEW** *(cont'd)*

---

**9.10 Summary Outlook**

The jewellery industry as a whole is competitive with numerous players, both big and small. The Group possesses competitive advantages over its competitors in the following areas:-

**(i) Low Production Cost**

As the Group manufactures most of its jewellery, this results in lower production costs and higher profit margins compared to its competitors. Most of Degem's competitors do not manufacture their own jewellery. Instead they source out the manufacturing process to other manufacturers, thus increasing their cost of production and lowering their profit margins.

The team of researchers in Degem also ensures that the manufacturing process in Degem is done using the latest technology that would result in greater cost reductions without compromising on the quality of the jewellery.

**(ii) Price and Quality Competitiveness**

The benefits of lower production costs are passed onto its customers in terms of lower price and higher quality jewellery as the quality control checkpoints in each step of the manufacturing process are able to ensure the quality of each piece of jewellery manufactured. Competitors purely in retail and franchising usually source out their manufacturing process. Thus they are not able to control the quality of the jewellery produced as they are not involved in the manufacturing process.

As such, the Group is not adversely affected by price competition.

**(iii) Range of Products/After-Sales Service**

Due to its manufacturing capabilities, the Group has a comprehensive range of products that caters to customers from all income brackets. One of the most important aspect of the Group's after-sales service is the Group's policy to accept trade-ins. The Group provides appraisal of jewellery as to its market value and quality for trade-ins. Other services provided include cleaning and repairs of jewellery.

**(iv) Management**

The Directors and senior management in the operational and manufacturing departments have been in the jewellery business for an average of 15 years each. They all contribute their expertise to the Group through their diverse range of disciplines which include business, gemmology, designing, finance, accounting and computing.

**(v) Reputation/Integrity**

Over the years, Degem has built a reputation for its quality products and workmanship. The Group also offers comprehensive after-sale service to its customers. In addition, the Group's high-end quality jewellery are backed by certificates of authenticity and quality.

---

**9. INDUSTRY OVERVIEW** *(cont'd)*

---

**(vi) Brandnames**

The Group offers exclusive diamond jewellery under its in-house brands, namely, “Rembrandt Collezione” and “Happy Eight”. Applications have been made to the Registrar of Trade Marks to register both brands.

This stems from the Group's ability to own, manage and control its manufacturing, in-house designing and marketing activities.

**(vii) In-House Designing**

The Group has its own design department manned by six (6) staff with two (2) Senior Designers. The two (2) Senior Designers have won numerous awards at local and overseas design competitions conducted by World Gold Council and De Beers Diamond Promotion Service. These designers often attend overseas jewellery trade fairs to keep abreast of the latest trend and developments in the jewellery industry.

From the above outlook, the prospects of the jewellery industry and in particular, the Degem Group, is likely to remain strong due to its core competencies and strategic business focus.

[The remainder of this page is intentionally left blank]



---

## 10. FUTURE PLANS OF THE DEGEM GROUP

---

The future plans of the Company are as follows:-

**(i) Opening of New Outlets**

The Degem Group will continue to expand its current non-branded and branded range of products by regularly introducing new designs.

The Group's retail shops are currently centered in the Klang Valley. This is a conscious effort by the management of the Group to concentrate its efforts in the Klang Valley as the management is of the view that the highest concentration of potential clientele with purchasing power is located in the Klang Valley. The Group plans to open two (2) new outlets each in the years 2001 and 2002 in the Klang Valley. These outlets are proposed to follow the Diamond & Platinum approach, i.e. selling mainly platinum items of medium price range (RM1,000 to RM5,000). The management believes that the inclination of Malaysian jewellery consumers are leaning towards preference for platinum rather than gold.

In the medium terms, the management plans to open one (1) outlet each in Johor Bahru and Penang in the year 2003, depending on the economic condition. The expansion plans are proposed to be financed mainly through internally generated funds.

**(ii) Road Shows and Exhibitions**

The management also plans to conduct road shows and exhibitions throughout Malaysia, Singapore and the Middle East on a quarterly basis. Through these road shows and exhibitions, the management hopes to establish a jewellery network. For locations with promising reception, the Group plans to establish a permanent presence.

**(iii) Acquisition of New Machine**

Part of the proceeds from the Public Issue amounting to RM300,000 will be used to acquire the following machinery to meet the rising demand from the expansion of new outlets: -

- Newtec/USA J5 casting machine
- T.T. Sand Blaster 01 336 351
- T.T. Jewelry Steam Cleaner
- Jumbo vacuum machine
- Automated drawing machine
- Elma ultrasonic cleaners
- Electronic balance

The management expects that with the acquisition of the above machinery, the production capacity of the casting department is expected to increase by at least 50%. The management is still in the process of identifying suitable machines to acquire for the electroplating and polishing departments.

---

**10. FUTURE PLANS OF THE DEGEM GROUP** *(cont'd)*

---

**(iv) Expansion Plan**

In line with the Group's expansion plan, the production department, in particular the electroplating and polishing department will be expanded to cope with future production volume. The factory floor plan will be redesigned to facilitate more efficient work flow. The plan is still at the study stage. The Directors, Mr Choong Kai Fatt and Mr Choong Kai Soon, are presently collecting data on the most contemporary factory layout adopted by the factories in Hong Kong, China and Italy.

The Group plans to recruit approximately twenty (20) additional skilled craftsmen in the 2001 to cope with the expected increase in its production, especially in the stone mounting department, which is labour intensive.

**(v) Training**

The management is aware that the success of the Group depends on the hard work and competency of its staff. In order to maintain the competency of all personnel, the Human Resource Department plans to organise systematic in-house training programmes. To keep abreast with the latest development, external speakers will be invited to provide training and senior staff will be sent to attend external courses.

The Degem Group is one of the few jewellers in the industry which provides apprenticeship for jewellery manufacturing. The Group presently has about twenty (20) apprentices undergoing training in the factory. The Group intends to take in more apprentices in the future in order to meet its demand for quality skilled goldsmiths.

**(vi) System Integration**

The Group also intends to invest approximately RM300,000 for the system integration of all the Group's outlets, in particular the retail activities. The software also enables real-time tracking of the movements and availability of its wide-range of gold and jewellery products as well as quick information retrieval, which in turn will enhance the Group's ability to provide better service to its customers. This system also enables the Company to provide timely sales and stocks reports to its management.

**(vii) Achieving ISO 9001**

Since its establishment, the R&D team has been embarking on activities for the improvement in product quality and design according to industry standards. Since quality and fine craftsmanship of jewellery are very essential in the jewellery industry, the Group is now working towards attaining the accreditation of ISO 9001. This provides the customers of Degem the assurance that its jewellery meets the essential quality requirements.

[The remainder of this page is intentionally left blank]

## 11. APPROVALS AND CONDITIONS

The FIC had approved the Flotation on 9 September 2000 and the MITI had approved the same on 25 September 2000 and 15 June 2001. The Flotation was also approved by the SC on 30 January 2001. The conditions imposed by all the authorities and the status of compliance are as follows:-

### 11.1 Approval from the FIC

<b>Conditions Imposed</b>	<b>Status of Compliance</b>
(i) Degem must have at least thirty percent (30%) direct Bumiputera equity interest upon listing and quotation of the Degem Shares on the Second Board of the KLSE.	Met
(ii) Degem is to obtain the approval of MITI.	Degem obtained the approvals of MITI on 25 September 2000 and 15 June 2001.

### 11.2 Approval from the MITI

<b>Conditions Imposed</b>	<b>Status of Compliance</b>
<u>Letter dated 25 September 2000</u>	
(i) Degem must have at least thirty percent (30%) direct Bumiputera equity interest upon listing and quotation of the Degem Shares on the Second Board of the KLSE.	Met
(ii) The allocation of 2,100,000 Degem Shares representing 5% of its paid-up capital to Bumiputera investors approved by MITI will be approved by MITI separately subsequent to the approval of the listing of Degem by the SC.	The approval of MITI was obtained on 15 June 2001.
(iii) Degem is to obtain the approval of FIC and SC.	Degem obtained the approvals of FIC and SC on 9 September 2000 and 30 January 2001 respectively.
<u>Letter dated 15 June 2001</u>	
(iv) The prior written consent of the MITI is required for any disposal or transfer of shares by the following Bumiputera investors.	To be complied with if there is any disposal or transfer of shares.

The following approved Bumiputera investors who will be allocated 2,100,000 ordinary shares of RM1.00 each in Degem are:-

<b>Name</b>	<b>No. of Degem Shares</b>
Hanafi bin Abd. Rahman @ Ahmad	1,010,000
Datuk Ahmad Merican bin S. T. Merican	1,045,000
Sabihah binti Talib @ Mohd Talib	45,000

---

**11. APPROVALS AND CONDITIONS (cont'd)**


---

**11.3 Approval from the SC**

<b>Conditions Imposed</b>	<b>Status of Compliance</b>
---------------------------	-----------------------------

- (i) The gross proceeds of RM11,200,000 arising from the Public Issue will be utilised for the core business of Degem as follows:

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

(hereinafter referred to as the "Proposed Utilisation")

The utilisation of the proceeds is to comply with the following conditions:

- |   |                      |
|---|----------------------|
| <ul style="list-style-type: none"> <li>▪ The approval of the SC is required for any variation to the Proposed Utilisation if such variation is made for any other purposes apart from for the core business;</li> </ul>   | To be complied with. |
| <ul style="list-style-type: none"> <li>▪ The approval of the shareholders of Degem is required for the Proposed Utilisation and also for any variation amounting to 25% or more to the Proposed Utilisation. If the proposed variation is less than 25%, appropriate disclosure must be made to the shareholders of Degem;</li> </ul> | To be complied with. |
| <ul style="list-style-type: none"> <li>▪ Any extension to the proposed time frame for the Proposed Utilisation must be approved by the Board of Directors of Degem through a clear resolution and must be fully disclosed to the KLSE; and</li> </ul>   | To be complied with. |
| <ul style="list-style-type: none"> <li>▪ Appropriate disclosure on the status of the Proposed Utilisation must be made in the Quarterly Reports and Annual Reports of Degem until the gross proceeds are fully utilised.</li> </ul>   | To be complied with. |
- (ii) Moratorium imposed on disposal of shares held by substantial shareholders/ promoters of Degem, namely Legion and Hasan bin M. Taib whereby 45% of their share cannot be sold or transferred or at least one (1) year from the listing date, whichever is earlier. After which, they are allowed to dispose of one third (1/3) of the moratorium shares annually on a straight line basis.
- Legion and Hassan M. Taib have jointly provided a letter of undertaking dated 20 February 2001.

---

**11. APPROVALS AND CONDITIONS** *(cont'd)*


---

<b>Conditions Imposed</b>	<b>Status of Compliance</b>
(iii) Promoters of Degen is to participate in the management of Degen Group throughout the moratorium period.	Promoters of Degen have provided a letter of undertaking dated 20 February 2001.
(iv) Degen is to draw up and implement a management succession plan to ensure a smooth succession in the management team should changes occur.	Management succession plan has been drawn up and disclosed in Section 8.5 of this Prospectus.
(v) Degen is to disclose in its Prospectus the following: <ul style="list-style-type: none"> <li>(a) Management succession plan;</li> <li>(b) Business and industry risks, including the following risks:-               <ul style="list-style-type: none"> <li>▪ Fluctuation in raw material prices;</li> <li>▪ The non-existent of long term customers and suppliers;</li> <li>▪ Ability to attract and retain skilled personnel (eg. Craftsmen); and</li> <li>▪ Threat of substitute products.</li> </ul> </li> </ul>	Met as set out in Section 3 and Section 8.5 of this Prospectus.
(vi) Degen must comply with the listing requirements as provided for in the SC Guidelines, principally under Chapters 7, 10 and 25 of the SC Guidelines.	To be complied with.
(vii) Affin Merchant and the Company are required to give written confirmation to the SC of the Company's compliance with all the terms and conditions imposed by the SC after the completion of the proposals.	To be complied with.

[The remainder of this page is intentionally left blank]

## 12. RELATED PARTY TRANSACTIONS/CONFLICTS OF INTERESTS

### 12.1 Related Party Transactions

#### (a) Promotion of Assets

Save as disclosed below, none of the Directors and major shareholders of the Company has any interest, directly or indirectly, in the Acquisition and none of the Directors has any interest, directly and indirectly in the promotion of any assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed of by or leased or proposed to be leased to the Company or any of its subsidiary:-

- ◆ 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.

The following Directors and major shareholders of the Company are deemed to have interest in the Acquisition as follows:-

Name	Nature of Interest
Chong Kai Sun @ Choong Kai Sun	Director and substantial shareholder of Legion
Choong Kai Soon	Director and substantial shareholder of Legion
Choong Kai Fatt	Director and substantial shareholder of Legion
Choong Khoi Onn	Director and substantial shareholder of Legion
Koh Eng Yeah	Director and substantial shareholder of Legion

#### (b) Material Interest in Contracts or Arrangements

None of the Directors and major shareholders of Degem and/or its subsidiary companies has any material interest in any contracts or arrangements which are significant in relation to the business of the Group and subsisting at the date of this Prospectus.

#### (c) Interest in Similar Business

None of the other Directors or major shareholders of Degem and/or its subsidiary companies are interested, directly or indirectly, in any business carrying on a similar trade as the Company and/or its subsidiary companies and which is not quoted on a recognised stock exchange.

### 12.2 Declaration of the Advisers

Save for YM Tunku Mohd Patani bin Tunku Nong Jiwa, a Director of Degem, is the brother of one of Affin Merchant's Directors, YM Tunku Dato' Jaafar Laksamana bin Tunku Nong Jiwa, Affin Merchant hereby confirms that, as at the date of this Prospectus, there are no existing or potential conflicts of interest in its capacity as the Adviser and the Joint Managing Underwriter for the IPO.

Messrs Kamarudin & Partners has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Solicitor for the Due Diligence.

Messrs Ernst & Young has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Reporting Accountants for the IPO.

---

**13. DIRECTORS' REPORT**

---

(Prepared for inclusion in this Prospectus)

**Registered Office:**

45, 1<sup>st</sup> Floor,  
Jalan SS 2/55  
47300 Petaling Jaya  
Selangor Darul Ehsan

21 August 2001

The Shareholders of **Degem Berhad**

Dear Sir/Madam

On behalf of the Board of Degem Berhad, I report, after due inquiry, during the period from 31 March 2001 (being the date to which the last audited accounts of the Company and its subsidiary companies have been made up) to 15 August 2001 (being a date not earlier than fourteen (14) days before the issue of this Prospectus) that:-

- (a) the business of the Company and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or its subsidiary companies;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Company or its subsidiary companies; and
- (e) since the last audited accounts of the Company and its subsidiary companies, save as disclosed in the Accountants' Report as set out in Section 15 of this Prospectus, there have been no changes in published reserves nor any unusual factors affecting the profits of the Company and its subsidiary companies.

Yours faithfully  
on behalf of the Board of Directors of  
**DEGEM BERHAD**

**HASAN BIN M. TAIB**  
Chairman

## 14. FINANCIAL INFORMATION

### 14.1 Proforma Consolidated Profit Record

The following table sets out a summary of the proforma audited consolidated results of the Degem Group for the past five (5) financial years ended 31 December 1996 to 2000 and three (3) months period ended 31 March 2001, prepared on the assumption that the current structure of the Group has been in existence throughout the period under review, and after making any adjustments as considered necessary:-

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

\* Annualised

Notes:

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

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



---

**14. FINANCIAL INFORMATION (cont'd)**

---

Notes:-

- (3) *The financial results of Inticraft, Diamond & Platinum and Telenaga are included in the above proforma income statements only in the financial years ended 31 December 1999 and 2000 as these companies have not commenced business operations prior to the financial year ended 31 December 1999. Therefore, there are no results of these companies included in the proforma income statements of the Group prior to 31 December 1999.*
- (4) *As P-Ampang was only incorporated on 13 October 1999, the financial results included in year 2000 is based on the first audited financial statements for the period since incorporation to 31 December 2000.*
- (5) *Diamond Mart has not commenced operations as at 31 March 2001. Notwithstanding the above, Diamond Mart has presented its first income statement for the financial period 31 December 2000 which represents preliminary and pre-operating expenses written off.*
- (6) *The high effective tax rate of the Group for the years 1996 and 1997 is attributed to the non-deductibility of certain expenses for tax purposes.*

*The low effective tax rate for the year 1998 is principally attributed to the eligibility of certain expenses for tax deduction.*

*No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999. The taxation charge in year 1999 relates to under provision of tax in prior year.*

*The low effective tax rate for the financial year ended 31 December 2000 and the period ended 31 March 2001 is principally attributed to tax exempt profits of Inticraft, a subsidiary granted Pioneer Status.*

- (7) *There were no extraordinary items in the relevant periods under review.*
- (8) *The gross EPS of the Group is calculated based on the profit before taxation but after minority interest and on the enlarged share capital of 35,000,000 ordinary shares of RM1 each, after the Acquisition but before the Public Issue.*
- (9) *The net EPS of the Group is calculated based on the profit after taxation and minority interest and on the enlarged share capital of 35,000,000 ordinary shares of RM1 each, after the Acquisition but before the Public Issue.*
- (10) *The diluted gross EPS of the Group is calculated based on the profit before taxation but after minority interest over the number of enlarged share capital of 42,000,000 ordinary shares of RM1 each after the Public Issue.*
- (11) *The diluted net EPS of the Group is calculated based on the profit after taxation and minority interest over the number of enlarged share capital of 42,000,000 ordinary shares of RM1 each after the Public Issue.*

---

**14. FINANCIAL INFORMATION (cont'd)**

---

Notes:-

- (12) *For the financial year ended 31 December 1997, the proforma Group turnover increased by 20% as compared to the previous year. The increase in turnover is mainly contributed by P-Jewellers. Despite the substantial increase in turnover, the profit after taxation dipped slightly which is mainly due to foreign exchange losses. In April 1997, P-Jewellers opened a new outlet in The Mines Shopping Centre and it was subsequently closed in September 2000. Based on this outlet's financial performance from 1998 to September 2000, the Board of Directors of Degem is of the view that this outlet will not contribute significant profit to the Group in the future.*
- (13) *For the financial year ended 31 December 1998, the proforma Group's business was significantly and adversely affected during the economic recession in 1998. As a result the proforma Group turnover decreased by 41% as compared to the previous year.*
- (14) *For the financial year ended 31 December 1999, the performance of the proforma Group improved by 23% as compared to the previous year. This is mainly due to the increased demand as the economy following a recovery in the economic slump.*
- In December 1999, P-Jewellers opened a new outlet in Kuala Lumpur City Centre ("KLCC") which sells mainly diamond and gemset jewellery and jewellery of a foreign brand name known as Faberge. In addition, during the year, P.Y.T. acquired a new subsidiary, Diamond & Platinum which was incorporated on 3 September 1999. New outlets were opened in Mid-Valley and Bangsar. The introduction by Diamond & Platinum of a new concept, focusing mainly on sales of diamonds in white gold and platinum have gained positive response from customers since its commencement of business. Towards the end of December 1999, P-Ampang also commenced business and sales recorded have been encouraging.*
- (15) *For the financial year ended 31 December 2000, the proforma group's turnover has increased by 33%. This is mainly due to the contribution of new branches from Diamond and Platinum outlets in Mid-Valley, Bangsar, Sunway Pyramid and Sungai Wang, KLCC outlet and P-Ampang outlet .*

[The remainder of this page is intentionally left blank]

**14. FINANCIAL INFORMATION (cont'd)****14.2 Segmental Analysis of Degem Group's Turnover and Profits**

The following table shows the breakdown of the Group's contribution by its non-manufacturing and manufacturing activities:-

	1996 RM'000	%	1997 RM'000	%	1998 RM'000	%	1999 RM'000	%	2000 RM'000	%
<b>Turnover</b>										
Non-Manufacturing	20,161	27	22,549	25	13,712	25	18,357	28	27,386	31
Manufacturing	55,667	73	68,511	75	40,245	75	48,087	72	60,653	69
<b>GROUP TURNOVER</b>	<b>75,828</b>	<b>100</b>	<b>91,060</b>	<b>100</b>	<b>53,957</b>	<b>100</b>	<b>66,444</b>	<b>100</b>	<b>88,039</b>	<b>100</b>

	1996 RM'000	%	1997 RM'000	%	1998 RM'000	%	1999 RM'000	%	2000 RM'000	%
<b>Profit Before Tax</b>										
Non-Manufacturing	2,410	22	1,735	18	956	18	1,797	20	3,688	30
Manufacturing	8,399	78	7,652	82	4,255	82	7,263	80	8,589	70
<b>GROUP PROFIT BEFORE TAX</b>	<b>10,809</b>	<b>100</b>	<b>9,387</b>	<b>100</b>	<b>5,211</b>	<b>100</b>	<b>9,060</b>	<b>100</b>	<b>12,277</b>	<b>100</b>

Note: The abovesaid information is provided by the management of Degem.

**14.3 Working Capital, Borrowings and Contingent Liabilities****(i) Working Capital**

The Directors of Degem are of the opinion that, barring any unforeseen circumstances and after taking into consideration the cashflow forecast and the banking facilities available, the Group will have adequate working capital for its present and foreseeable future requirements.

**(ii) Borrowings**

As at 15 August 2001 (being the last practicable date prior to the printing of this Prospectus), the total bank borrowings of the Group amounted to RM19,169,287.00, as follows:

Type of Banking Facility	Amount RM
Overdraft	10,595,760
Term loan	
- Short term	664,065
- Long term	7,909,462
Total	<u>19,169,287</u>

---

**14. FINANCIAL INFORMATION** *(cont'd)*

---

Save for a supplier of the Group which has granted a non-interest bearing loan for the amount of RM800,000.00, the Group does not have any other non-interest bearing borrowings.

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

**(iii) Contingent Liabilities**

As at 15 August 2001 (being the latest practicable date prior to the printing of this Prospectus), the Group does not have any contingent liabilities.

**(iv) Material Litigation**

As at 15 August 2001 (being the latest practicable date prior to the printing of this Prospectus), Degem and its subsidiaries are not engaged in any material litigation either as plaintiff or defendant and the Directors do not have knowledge of any proceedings pending or threatened against the Company or of any facts likely to give rise to any proceedings which may materially affect the position or business of the Degem Group.

**(v) Capital Commitments**

As at 15 August 2001 (being the latest practicable date prior to the printing of this Prospectus), there are no material commitments incurred or known to be incurred by Degem Group, which may have a substantial impact on the result or the financial position of the Company.

[The remainder of this page is intentionally left blank]

---

**14. FINANCIAL INFORMATION** *(cont'd)*


---

**14.4 Consolidated Profit Forecast and Assumptions**

The Directors of Degem forecast that barring unforeseen circumstances, the consolidated profit after taxation and after minority interest for the year ending 31 December 2001 will be as follows:-

	<b>Year ending 31 December 2001 RM'000</b>
Turnover	113,649
Profit before taxation	17,043
Less: Taxation	(5,128)
Profit after taxation	<u>11,915</u>
MI	<u>(916)</u>
Profit after taxation and MI	<u><u>10,999</u></u>
Enlarged number of ordinary shares ('000)	42,000
Weighted average number of ordinary shares ('000)	36,750
Gross EPS <sup>^</sup> (sen)	42.81 <sup>^</sup>
Net EPS <sup>^</sup> (sen)	29.93 <sup>^</sup>
Fully Diluted Gross EPS* (sen)	37.46*
Fully Diluted Net EPS* (sen)	26.19*
Gross PE Multiple based on the issued price of RM1.60 per ordinary shares (times) <sup>+</sup>	4.27
Net PE Multiple based on the issued price of RM1.60 per ordinary share (times) <sup>+</sup>	6.11

<sup>^</sup> *Based on weighted average number of ordinary shares*

\* *Based on the enlarged number of ordinary shares*

+ *Based on the fully diluted gross and net EPS*

[The remainder of this page is intentionally left blank]

---

14. FINANCIAL INFORMATION *(cont'd)*

---

14.5 Reporting Accountants' Letter on the Consolidated Profit Forecast  
(Prepared for inclusion in this Prospectus)



■ **Public Accountants**                      ■ Phone : (03) 2144-2333  
4th Floor, Kompleks Antarabangsa,      Fax : (03) 2141-0676  
Jalan Sultan Ismail,                              (03) 2144-5619  
50250 Kuala Lumpur, Malaysia.              www.ey.com

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

21 August 2001

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

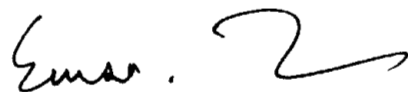
Dear Sirs

**CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2001  
FLOTATION ON THE KUALA LUMPUR STOCK EXCHANGE SECOND BOARD**

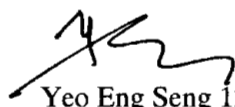
We have reviewed the accounting policies and calculations for the consolidated profit forecast of Degem Berhad and its subsidiary companies, for the financial year ending 31 December 2001, for which the Directors are solely responsible, as set out in the accompanying statement which we have stamped for identification, for the purpose of inclusion in the Prospectus to be dated 27 August 2001.

In our opinion, the consolidated profit forecast so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors as set out in the accompanying statement and is presented on a basis consistent with the accounting principles previously adopted in the preparation of the audited financial statements of the Group.

Yours faithfully



ERNST & YOUNG AF: 0039  
Public Accountants



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

## 14. FINANCIAL INFORMATION (cont'd)



**DEGEM BERHAD  
CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31  
DECEMBER 2001**

The Directors of Degem Berhad forecast that barring unforeseen circumstances, the consolidated profit after taxation and after minority interest for the financial year ending 31 December 2001 will be as follows:-

	<b>Year Ending 31 December 2001 RM'000</b>
Profit after taxation and after minority interest (RM'000)	10,999
Weighted average number of ordinary shares ('000)	36,750
Net earnings per share based on weighted average number of shares (RM)	0.30
Enlarged number of ordinary shares ('000)	42,000
Net earnings per share based on enlarged number of shares (RM)	0.26

The principal bases and assumptions upon which the forecast has been prepared are set out below:-

- (a) There will be no material changes in the structure and principal activities of the Group.
- (b) There will be no material changes in the management, trading and accounting policies currently adopted.
- (c) There will be no significant changes in the current demand and in prevailing market conditions in Malaysia and overseas which will adversely affect the Group's performance and businesses of its major customers and suppliers.
- (d) There will be no material changes in the present legislation or regulations, rates and basis of duties, levies and other taxes affecting the Group's activities.
- (e) There will be no major industrial disputes, economic and political changes or any abnormal circumstances which will adversely affect the operations of the Group.
- (f) Existing financing facilities will remain available to the Group and interest rates will not change significantly from those presently prevailing.
- (g) Exchange rates of foreign currencies will not substantially and adversely change from their present levels.

---

14. FINANCIAL INFORMATION *(cont'd)*

---



**DEGEM BERHAD  
CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31  
DECEMBER 2001**

(h) Inflation will remain at its current level.

(i) Flotation Scheme

(i) *Acquisition*

Degem Berhad acquired 100% of the equity interest in PYT Jewel & Time Sdn Bhd together with its subsidiaries for a total purchase consideration of RM39,065,304 satisfied by the issue of 34,999,998 new ordinary shares of RM1 each respectively at an approximate issue price of RM1.12 per ordinary share in Degem Berhad (hereinafter referred to as the Acquisition).

(ii) *Public Issue*

Degem Berhad will make a Public Issue (hereinafter referred to as the Public Issue) 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.

The Acquisition was completed on 31 March 2001. It is assumed that the Public Issue will be completed and the gross cash proceeds arising therefrom of RM11.2 million will be received by 30 September 2001.



---

**14. FINANCIAL INFORMATION (cont'd)**


---

**14.6 Directors' Analysis and Commentary on the Profit Forecast**

With the proceeds from the Public Issue pursuant to the listing exercise, it will facilitate the proposed expansion of the Group. Turnover for the financial year ending 31 December 2001 is expected to increase by approximately 29.5% to approximately RM114 million from approximately RM88 million in the previous year. The increase is mainly attributed to the additional one (1) new outlet to be set up during the year as well as the increase in sales from its existing business.

Accordingly, the profit after tax is expected to grow by approximately 25.3% from approximately RM8.7 million in the previous year to approximately RM10.9 million for the financial year ending 31 December 2001. The increase in profit after tax is mainly due to higher turnover contributions from the Group's subsidiaries companies such as P.Y.T., P-Jewellers, Diamond & Platinum and P-Ampang.

With the receipt of the proceeds from the Public Issue, the level of gearing of the Group based on the proforma balance sheets as at 31 March 2001 after the proposed repayment of the existing bank borrowings will be reduced from 0.27 times to 0.19 times. Further, the liquidity position of the Group will also improve. The Board of Directors of Degem expects that the Group will have adequate working capital for its requirements for the financial year.

The Board of Directors of Degem confirms that the consolidated profit forecast for the year ending 31 December 2001 and the principal bases and assumptions stated therein have been reviewed by the Directors after due enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans and strategies to be adopted by the Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast of the Degem Group is achievable and the assumptions made are reasonable.

**14.7 Sensitivity Analysis**

The Degem Group has been in the business of manufacturing and trading in gold and jewellery for almost two (2) decades and therefore, has the relevant experience and expertise to ensure that quality gold and jewellery are produced.

The sensitivity analysis for the Degem Group on both the changes in turnover and raw materials is set out below in detail based on the profit forecast (after listing scenario) for the financial year ending 31 December 2001. The control figures are as follows:-

	<b>2001</b>
	<b>RM'000</b>
Turnover	113,649
Cost of sales	77,017
Gross profit	36,632
Profit before tax	17,043

---

**14. FINANCIAL INFORMATION** *(cont'd)*


---

**Scenario I****(a) Increase in turnover (assuming all other factors remaining unchanged)**

<b>Change %</b>		<b>2001 RM'000</b>	<b>Change %</b>
5	Turnover	119,331	5.0
	Cost of sales	77,017	0
	Gross profit	42,314	15.5
	Profit before tax	21,873	28.3
10	Turnover	125,014	10.0
	Cost of sales	77,017	0
	Gross profit	47,996	31.0
	Profit before tax	26,702	56.7

**(b) Decrease in turnover (assuming all other factors remaining unchanged)**

<b>Change %</b>		<b>2001 RM'000</b>	<b>Change %</b>
5	Turnover	107,966	(5.0)
	Cost of sales	77,017	0
	Gross profit	30,949	(15.5)
	Profit before tax	12,213	(28.3)
10	Turnover	102,284	(10.0)
	Cost of sales	77,017	0
	Gross profit	25,267	(31.0)
	Profit before tax	7,384	(56.7)

**Scenario II****(a) Increase in cost of sales (assuming all other factors remaining unchanged)**

<b>Change %</b>		<b>2001 RM'000</b>	<b>Change %</b>
5	Turnover	113,649	0
	Cost of sales	80,868	5.0
	Gross profit	32,781	(10.5)
	Profit before tax	13,192	(22.6)
10	Turnover	113,649	0
	Cost of sales	84,719	10.0
	Gross profit	28,930	(21.0)
	Profit before tax	9,341	(45.2)

---

**14. FINANCIAL INFORMATION** *(cont'd)*


---

**(b) Decrease in cost of sales (assuming all other factors remaining unchanged)**

<b>Change %</b>		<b>2001 RM'000</b>	<b>Change %</b>
5	Turnover	113,649	0
	Cost of sales	73,166	(5.0)
	Gross profit	40,483	10.5
	Profit before tax	20,894	22.6
10	Turnover	113,649	0
	Cost of sales	69,316	(10.0)
	Gross profit	44,333	21.0
	Profit before tax	24,745	45.2

[The remainder of this page is intentionally left blank]

---

**14. FINANCIAL INFORMATION** *(cont'd)*


---

**14.8 Dividend Forecast**

Degem intends to pursue a dividend policy in line with its profitability which would allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for its future growth and expansion.

On the basis of the consolidated profit forecast after minority interest and extraordinary items, and on the assumption that the present basis for calculating taxation and rates of taxation will remain unchanged, the Directors of Degem anticipate that in the absence of unforeseen circumstances, the Company will be in a position to propose, based on the enlarged issued and paid-up share capital of RM42,000,000, a gross dividend of 5.0% for the financial year ending 31 December 2001.

The intended appropriation of the Company's forecast consolidated profit for the financial year ending 31 December 2001 would be as follows:-

<b>Financial year ending 31 December</b>	<b>2001 RM'000</b>
Turnover	113,649
Consolidated profit before taxation and MI	17,043
Taxation	(5,128)
Consolidated profit after taxation but before MI	11,915
MI	(916)
Consolidated profit after taxation and MI	10,999
Proposed dividend (less 28% tax)	1,512
Retained profit for the year	9,487
Gross dividend per share (sen)	5.0
Net dividend per share (sen)	3.6
Gross dividend yield based on the Issue/Offer Price of RM1.60 per share	3.13
Net dividend yield based on the Issue/ Offer Price of RM1.60 per share	2.25
Net dividend cover	7.27

The declaration, amount and payment of dividends are subject to the approval by the shareholders of Degem on recommendation of the Board of Directors. Degem currently expects to pay dividends on an annual basis but has not established (and does not establish) any fixed percentage of earnings allocated for the payment of dividends. Any variation from the forecast dividend would depend on Degem's results of operations, financial conditions, cash requirements and other factors deemed relevant by the Board of Directors.

---

14. FINANCIAL INFORMATION (cont'd)

---

14.9 Proforma Consolidated Balance Sheets and Reporting Accountants' Letter  
(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, 1<sup>st</sup> Floor, Jalan SS2/55  
47300 Petaling Jaya  
Selangor Darul Ehsan

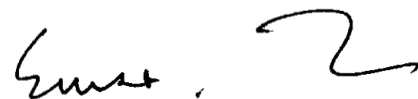
Dear Sirs

**PROFORMA CONSOLIDATED BALANCE SHEETS  
FLOTATION ON THE KUALA LUMPUR STOCK EXCHANGE SECOND BOARD**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Degem Berhad and its subsidiary companies ("Degem Group") as at 31 March 2001 together with the accompanying notes, for which the Directors are solely responsible, prepared for the purpose of inclusion in the Prospectus to be dated 27 August 2001.

In our opinion, the Proforma Consolidated Balance Sheets of Degem Berhad as at 31 March 2001, which are provided for illustrative purposes only, have been properly compiled on the bases set out in the notes thereto.

Yours faithfully



ERNST & YOUNG AF: 0039  
Public Accountants



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

## 14. FINANCIAL INFORMATION (cont'd)


**DEGEM BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets set out below are provided for illustrative purposes only to show the effects on the audited balance sheet of Degem Group as at 31 March 2001 had the Public Issue been effected on that date.

	<-----DEGEM GROUP----->	
	Audited as at 31 March 2001 RM'000	After Public Issue RM'000
PROPERTY, PLANT AND EQUIPMENT	15,160	15,460
CURRENT ASSETS (Note 5a)	78,039	85,281
CURRENT LIABILITIES (Note 5b)	38,463	38,463
Net Current Assets	39,576	46,818
DEFERRED EXPENDITURE	629	-
	55,365	62,278
SHARE CAPITAL	35,000	42,000
RESERVES (Note 4)	14,911	17,411
SHAREHOLDERS' FUNDS	49,911	59,411
MINORITY INTEREST	1,705	1,705
DEFERRED & LONG TERM LIABILITIES (Note 5c)	3,749	1,162
	55,365	62,278
Net Tangible Assets per share (RM)	1.41	1.41

## 14. FINANCIAL INFORMATION (cont'd)


**DEGEM BERHAD**  
**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets have been prepared on accounting principles and basis consistent with those previously adopted in the preparation of audited financial statements. These have been prepared based on the audited consolidated balance sheets of Degem Berhad as at 31 March 2001 and adjusted for the following:-

## 1. Flotation Scheme

## (i) Acquisition

Degem Berhad acquired 100% of the equity interest in PYT Jewel & Time Sdn Bhd together with its subsidiaries 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 Berhad (hereinafter referred to as the Acquisition).

The Acquisition was completed on 31 March 2001 and is consolidated in the audited balance sheet of Degem Group as at 31 March 2001 using the merger method in accordance with Malaysian Accounting Standard 2.

## (ii) Public Issue

Degem Group will make a Public Issue (hereinafter referred to as the 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.

The premium arising from the Public Issue of RM4,200,000 is credited to the share premium account.

2. Estimated expenses of RM1.7 million (of which RM0.629 million has been incurred and shown as deferred expenditure as at 31 March 2001) relating to the Acquisition and Public Issue have been debited against share premium.

3. It is assumed that the cash proceeds of RM9.5 million (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
	9,500

## 14. FINANCIAL INFORMATION (cont'd)



## 4. 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	<u>2,500</u>	<u>14,911</u>	<u>17,411</u>

## 5. Analysis of Current Assets, Current Liabilities and Deferred and Long Term Liabilities are as follows:-

	<-----DEGEM GROUP----->	
	Audited as at 31 March 2001 RM'000	After Public Issue RM'000
<b>(a) Current Assets</b>		
Inventories	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>
<b>(b) Current Liabilities</b>		
Trade creditors	18,945	18,945
Other creditors and accruals	6,681	6,681
Hire purchase creditors	286	286
Amount due to directors	527	527
Bank borrowings	9,917	9,917
Taxation	2,013	2,013
Amount due to holding company	94	94
	<u>38,463</u>	<u>38,463</u>
<b>(c) Deferred and Long Term Liabilities</b>		
Hire purchase creditors	272	272
Term Loans	3,247	660
Deferred Tax	230	230
	<u>3,749</u>	<u>1,162</u>



---

## 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:-

[The remainder of this page is intentionally left blank]

---

**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 repayment or 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 subdivision 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.

[The remainder of this page is intentionally left blank]

---

**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 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;
  - a conviction in a criminal proceeding or is a named subject of a pending criminal proceeding;
  - 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
  - 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		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		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.

[The remainder of this page is intentionally left blank]

---

**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 Degen 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.

[The remainder of this page is intentionally left blank]

---

## 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.

[The remainder of this page is intentionally left blank]



---

**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:-

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>KUALA LUMPUR</b>		
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 <sup>th</sup> 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)**

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>KUALA LUMPUR (Cont'd)</b>		
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)**

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>KUALA LUMPUR (Cont'd)</b>		
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 <sup>th</sup> 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

[The remainder of this page is intentionally left blank]

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

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>SELANGOR DARUL EHSAN</b>		
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

[The remainder of this page is intentionally left blank]

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

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>MELAKA</b>		
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
<b>PERAK DARUL RIDZUAN</b>		
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 Khoon & 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

[The remainder of this page is intentionally left blank]

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

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>PERAK DARUL RIDZUAN (Cont'd)</b>		
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) <i>(Taiping Branch)</i>	21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No: 05-8060888	068-003
OSK Securities Bhd (14152-V) <i>(Ipoh Branch)</i>	Wisma Premier Capital 21-25, Jalan Seenivasagam 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2415 100	056-002
<b>PULAU PINANG</b>		
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)**

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>PULAU PINANG (Cont'd)</b>		
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
<b>KEDAH DARUL AMAN</b>		
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
<b>PERLIS INDRA KAYANGAN</b>		
Upen Securites Sdn Bhd (254920-D)	2nd Floor, Podium Block Bangunan KWSP 01000 Kangar Perlis Indra Kayangan Tel No: 04-9766315	023-001
<b>NEGERI SEMBILAN DARUL KHUSUS</b>		
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)**

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>JOHOR DARUL TAKZIM</b>		
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
<b>PAHANG DARUL MAKMUR</b>		
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
<b>KELANTAN DARUL NAIM</b>		
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)**

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>TERENGGANU DARUL IMAN</b>		
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
<b>SARAWAK</b>		
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 Sibul Sarawak Tel No: 085-319998	030-001
<b>SABAH</b>		
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
<b>WILAYAH PERSEKUTUAN LABUAN</b>		
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.

[The remainder of this page is intentionally left blank]