

VIII. APPROVALS AND CONDITIONS

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of DEB on the Second Board of the KLSE, the Company undertook a restructuring exercise as discussed in Section VII.2 of this Prospectus, which was approved by the FIC on 18 November 2002 and 30 August 2003, SC on 11 March 2003, 25 August 2003 and 11 September 2003 as well as MITI on 12 March 2003, 23 June 2003 and 28 July 2003. The SC letter dated 11 September 2003 approved the extension of time of four (4) months from 11 September 2003 to 11 January 2004 for the Company to complete the implementation of Listing. The conditions imposed by the FIC, SC and MITI in their approvals of the restructuring exercise and the listing of DEB on the Second Board of the KLSE and the status of compliance are as follows:

Authority	Details of Conditions Imposed	Status of Compliance
SC	<p>1. The utilisation of proceeds raised from the Public Issue are subject to the following:</p> <p>(a) the approval of the SC is required for any revision to the utilisation of proceeds as originally proposed in the event that the revision involves utilisation which is other than for the core business activities of DEB;</p> <p>(b) the approval of the shareholders is required for any deviation in the utilisation of proceeds by twenty-five percent (25%) or more from that originally proposed. If the deviation is less than twenty-five percent (25%), appropriate disclosure should be made to the shareholders of DEB;</p> <p>(c) DEB is required to disclose the timeframe for the utilisation of proceeds in the Prospectus. Any extension of time from the timeframe set by DEB for the utilisation of proceeds must be approved via a final resolution by the Board and must be fully disclosed to the KLSE; and</p> <p>(d) appropriate disclosure on the status of the utilisation of proceeds must be made in the quarterly and annual reports of DEB until the said proceeds have been fully utilised.</p>	<p>To be complied with, if applicable</p> <p>To be complied with, if applicable</p> <p>Complied, save for the extension of time for utilisation of proceeds which will be complied with, if applicable. The timeframe for utilisation of proceeds is disclosed in Section V.7 of this Prospectus</p> <p>To be complied with</p>
	<p>2. The substantial shareholders of DEB and the Directors of DEB and its subsidiaries who are involved on a full time basis in the DEB Group are not allowed to be involved on a full time basis in the operations of their other personal businesses.</p>	<p>Complied. All the substantial shareholders of DEB and the Directors of DEB and its subsidiaries who are involved on a full time basis in the DEB Group are not holding any full time positions in their other personal businesses</p>
	<p>3. The promoters, Directors and substantial shareholders of DEB must not undertake any other businesses which will be in competition, direct or indirect, and that will give rise to conflict of interest with the businesses of the DEB Group in the future. In relation thereto, the promoters, Directors and substantial shareholders of DEB are required to provide written undertakings to the SC that they will not in the future be involved in any new businesses that are similar to or in competition with the existing businesses of the DEB Group.</p>	<p>Complied. The relevant letters of undertaking from the promoters, Directors and substantial shareholders of DEB were forwarded to the SC on 9 September 2003</p>
	<p>4. Any future transactions between the DEB Group and companies that are connected with, the promoters and Directors of DEB must be made on an "arm's-length" basis and shall not be based on terms which will be detrimental to the DEB Group. In relation thereto, the Audit Committee of DEB is required to monitor and the Board is required to report such transactions, if any, in the annual report of DEB.</p>	<p>To be complied with</p>

VIII. APPROVALS AND CONDITIONS (*Cont'd*)

Authority	Details of Conditions Imposed	Status of Compliance
5.	<p>In accordance with Paragraph 10.12 of the SC Guidelines, a moratorium has been imposed on 38,700,000 DEB Shares held by NSPSB, representing 45% of the enlarged issued and paid-up share capital of DEB. In relation thereto, NSPSB is not allowed to sell, transfer or assign its shareholding under the said moratorium for one (1) year from the date of listing of DEB on the KLSE.</p> <p>In this connection, every shareholder of NSPSB (if the shareholder is an individual) or all the ultimate individual shareholders (if the shareholder concerned is a company) are required to submit written undertakings to the SC that they will not sell, transfer or assign their shareholdings in NSPSB during the moratorium period imposed under Paragraph 10.12 of the SC Guidelines. NSPSB and the aforesaid shareholders are required to forward the letters of undertaking to the SC prior to the registration and issuance of the Prospectus.</p>	<p>Complied. The relevant letters of undertaking from NSPSB and the shareholders of NSPSB were forwarded to the SC on 9 September 2003. Further details are disclosed in Section V.10 of this Prospectus</p>
6.	<p>With regard to the trade debtors of the DEB Group:</p> <p>(a) full disclosure is required to be made on trade debtors, the ageing analysis and comments by the Directors of DEB on the recoverability of those trade debts which have exceeded the relevant credit periods granted;</p> <p>(b) full provision is required to be made for all trade receivables of the DEB Group which are under dispute or for which legal actions have been taken or the outstanding period of which have exceeded six (6) months after the credit period. The Directors of DEB are required to provide a written confirmation to the SC that the above condition has been complied with before the Listing of DEB; and</p> <p>(c) the Directors of DEB are required to provide a written confirmation to the SC that the trade debtors which have exceeded their credit periods granted other than those for which provisions for doubtful/bad debts have been made in the accounts and in the financial forecast and projections of the DEB Group.</p>	<p>Complied. Appropriate disclosure has been made in Part 6 of Section XI of this Prospectus</p> <p>Complied. The letter of confirmation from the Directors of DEB was forwarded to the SC on 9 September 2003</p> <p>Complied. A letter of confirmation from the Directors of DEB was forwarded to the SC on 9 September 2003</p>
7.	<p>DEB is required to disclose in the Prospectus in respect of the following:</p> <p>(a) the risk management plan to mitigate the main risks associated with the business operations of the DEB Group, including the risks of occurrence of fire, power failure and any other risks which may affect the operations and financial performance of the DEB Group;</p> <p>(b) management succession plan for the DEB Group;</p> <p>(c) stock turnover trend, stock holding policy and risk of stock obsolescence, if any; and</p>	<p>Complied. Appropriate disclosure has been made in Part (iv) of Section IV of this Prospectus</p> <p>Complied. Appropriate disclosure has been made in Part 7.4 of Section VII of this Prospectus</p> <p>Complied. Appropriate disclosure has been made in Part 5.2 of Section XI of this Prospectus</p>

VIII. APPROVALS AND CONDITIONS (Cont'd)

Authority	Details of Conditions Imposed	Status of Compliance
	(d) the Directors of DEB are required to provide commentary on the stock turnover and whether the value of the stocks could be realised or sold at the value as stated in the financial statements as well as steps that have been or to be taken to realise the value of the stocks as stated in the financial statements.	Complied. Appropriate disclosure has been made in Part 5.1 and 5.2 of Section XI of this Prospectus
	8. DEB is required to obtain the approval of the MITI prior to the Listing.	Complied. The approval of the MITI was obtained through its letters dated 12 March 2003, 23 June 2003 and 28 July 2003.
	9. DEB is required to fully comply with other relevant requirements in relation to the listing of a company as stipulated in the SC Guidelines, including the requirement under paragraph 10.17 whereby the DEB Group is not allowed to be involved in activities which are unrelated to its core business for at least three (3) years after the date of listing of DEB on the Second Board of the KLSE.	To be complied with
	10. DEB and CIMB are to ensure that the payment of the tax-exempt dividend amounting to RM1,935,000 with respect to the financial year ended 31 March 2003 is to be financed by internally-generated funds and not by bank borrowings. CIMB is required to provide confirmation to the SC stating the source of funding of the aforesaid dividend payment.	Complied. A letter of confirmation from CIMB was forwarded to the SC on 9 September 2003
	11. CIMB and DEB are required to submit written confirmation to the SC on the compliance of all the terms and conditions as stated above after the Listing is implemented.	To be complied with
MITI	1. DEB is to obtain the approvals of the SC and FIC.	Complied. The approvals of the FIC was obtained on 18 November 2002 and 30 August 2003 and that of the SC was obtained on 11 March 2003, 25 August 2003 and 11 September 2003
	2. 12.9 million of the Offer Shares and 30% of the Issue Shares which are allocated to Malaysian Public via ballot and identified investors under the private placement are subject to the approval of MITI and the allocation is to be made separately by the MITI.	To be complied with

VIII. APPROVALS AND CONDITIONS (*Cont'd*)

Authority	Details of Conditions Imposed	Status of Compliance
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3. MITI has recognised the following Bumiputera ("Approved Bumiputera Shareholders") as approved shareholders:

	Shareholder	No. of DEB Shares	%
(a)	Sallehuddin bin Saidon	2,579,997	3.00
(b)	Mohd Tahir bin Mohd Tap	3,009,996	3.50
(c)	Othman bin A. Majid	3,009,996	3.50
(d)	Hj. Jamaludin bin Datuk Hj. Othman	1,892,005	2.20
(e)	Mohd Khalid bin Idris	2,408,006	2.80
(f)	Omar bin Abu Bakar	3,900,000	4.53
(g)	Wan Fauzee bin Wan Mahzir	3,000,000	3.49
(h)	Fadzil @ Fadhel bin Mohd Noor @ Ismail	3,000,000	3.49
(i)	Kamal Ridzwa bin Ishak	3,000,000	3.49
	Total	25,800,000	30.00

The Approved Bumiputera Shareholders as set out in (a) to (e) above are allowed to sell 30% of their shares in DEB within one (1) year from the date of listing of DEB on the Second Board of the KLSE while the Approved Bumiputera Shareholders as set out in (f) to (i) above are allowed to sell 30% of their shares in DEB within three (3) months from the date of listing of DEB. The remaining 70% of their shares in DEB are allowed to be sold in stages with prior approval of the MITI.

To be complied after the listing.

FIC

No condition is being imposed by the FIC.

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IX. RELATED PARTY TRANSACTIONS/CONFLICT OF INTERESTS

1. Related Party Transactions**(i) Promotion of any assets acquired or leased to the DEB Group within two (2) years preceding the date of this Prospectus**

Save as disclosed below, none of the promoters, Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the promotion of or in any assets acquired or proposed to be acquired or disposed of or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiaries within the two (2) years preceding the date of this Prospectus.

The following promoters/Directors/Substantial Shareholders of DEB are deemed to have an interest in the transactions as follows:

Interested promoter/Director/ Substantial Shareholder of DEB	Nature of Interest
Cha Aku Wai @ Sia Ah Kow	Lease of a factory at PTD 35539, 53, Jalan Besi 3, Desa Perindustrian Kulai, 81030 Kulai to PWSB at a monthly rental of RM600.00.
Low Chwee Tian, Teo Ah Bah @ Teo Chung Kwee, Teo Ah Tee @ Teo Chuan How, Teo Choon Kiat @ Teo Chuan Kit	Lease of a warehouse at PTD 41088, Jalan Besi 3, Desa Perindustrian Kulai, 81000 Johor to CTSB at a monthly rental of RM7,000.00
Low Chwee Tian, Teo Ah Bah @ Teo Chuang Kwee, Teo Ah Tee @ Teo Chuan How, Teo Choon Kiat @ Teo Chuan Kit	Sale and Purchase Agreement dated 25 September 2002 entered into between Cheng Yew Heng Manufactory Sdn Bhd and PWSB for the sale of a factory cum warehouse to PWSB. Further details are disclosed under Section XV.6 of this Prospectus.
Chai Soon Too	Leased a single storey terrace house at No. 6, Jalan Kancil, Taman Indah Jaya, Bandar Kulai, Johor to PWSB at a monthly rental of RM350.00.

(ii) Transactions between DEB Group and the Directors/Substantial Shareholders

Save as disclosed above, there are no transactions, existing or potential, between the DEB Group and the Directors, Substantial Shareholders and/or persons connected with such Directors or Substantial Shareholders of DEB as defined under Section 122A of the Act (collectively referred to as the "Interested Persons").

The Directors of DEB confirm that the DEB Group will continue to transact the recurrent related party transactions at arm's length, on the DEB Group's normal commercial terms which are not more favourable to the Interested Persons than those generally available to the public and are not to the detriment of the minority shareholders.

IX. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTERESTS (Cont'd)

2. Conflict of Interests

- (i) None of the Directors or Substantial Shareholders of DEB have any interest, direct or indirect, in any business carrying on a similar nature as DEB or its subsidiaries as at 31 August 2003; and
- (ii) None of the Directors or Substantial Shareholders of DEB have any interest, direct or indirect, or currently own properties and/or are involved in the manufacturing of or the dealing in wood-based products as that of DEB or its subsidiaries.

3. Declaration by Advisers

CIMB hereby confirms that there is no existing or potential conflict of interest in its capacity as the Adviser/Placement Agent/Underwriter for the Listing.

Messrs. Deloitte KassimChan has provided a confirmation that there is no conflict of interest in their capacity as the Auditors and Reporting Accountants in relation to the Listing.

Messrs. Jeff Leong, Poon & Wong has provided confirmation that there is no legal conflict of interest in their capacity as the due diligence solicitors in relation to the Listing.

Messrs. KGV(Johor), KGV-Lambert Smith Hampton (M) Sdn Bhd and CKS Property Consultants Pte Ltd have provided confirmations that there are no conflict of interest in their capacities as the Valuers in relation to the Listing.

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X. OTHER INFORMATION CONCERNING THE DEB GROUP

1. Licenses and Permits

The DEB Group has obtained licenses and permits to manufacture and conduct trading, distribution and export of wood-based products. The licenses and permits granted to the DEB Group which are still applicable as at the date of this Prospectus are as follows:

Authority	Type of License	Date of Issuance	Equity, employment and/or other major conditions imposed	Status of Compliance
PWSB				
Royal Malaysian Customs	Warehouse Licence Licence No: 41520	24.10.02 (Effective from 01.11.02 to 31.10.04)	At least 80% of its product (according to value) shall be exported and the remaining 20% of its product shall be available for sale locally as approved. Sales for the local market shall be affirmed and are subjected to any duty/tax.	Met
	Manufacturing Warehouse Licence Licence No: 29849	24.10.02 (Effective from 01.11.02 to 31.10.04)	(a) The licence holder shall provide a bank guarantee of RM300,000.00 as a guarantee for the safety of duty/tax imposed on raw material /components and end products kept in a licensed manufacturing warehouse and also for the moving goods which is subjected to duties.	Met
			(b) The licence holder would have to inform the Senior Custom Officer if anyone of the following occurs within 14 days: <ul style="list-style-type: none"> (i) changes to the members of the Board of Directors of the Company; (ii) resolution passed to wound up the Company; (iii) an order has been made to wound up the Company; (iv) appointment of liquidator and receiver; and (v) the Company is involved in whatever civil case claims, bankruptcy matters or winding up and others. 	Will be met if applicable
(c) The licence can be cancelled / revoked at any time if there is a breach in any of the conditions set out in Custom Act 1967 and / or any rules enforceable thereunder.	N/A			
Johor State Government	Forestry Licence Licence No. 1/97 C	12.11.1997 (Effective from 01.1.2003 to 31.12.2003)	(i) The licence holder are not allowed to: <ul style="list-style-type: none"> (i) transfer this licence; (ii) rent, pawn, lent, charge or sell whole or part of the factory or any extensions thereof; and (iii) make any changes in the shareholding of the whole or part of the factory, without the prior written consent of the State Authority. 	N/A

X. OTHER INFORMATION CONCERNING THE DEB GROUP (Cont'd)

Authority	Type of License	Date of Issuance	Equity, employment and/or other major conditions imposed	Status of Compliance
MITI	Manufacturing Licence Licence No. A010642 Production of wooden furniture, wooden furniture part and timber mouldings	22.01.1997 (effective from 20.04.1994)	PWSB is exempted from the equity condition. If the shareholders' fund reaches RM2.5 million, PWSB shall inform MITI in writing. The composition of the board of directors of PWSB must reflect the equity structure of PWSB and MITI must be informed of any such appointment and/or any changes to the directorship of the Company.	Met Met
BISB				
Lembaga Perindustrian Kayu Malaysia	Registration - Exporter T/E-2528/03/2004 - Supplier T/S-1647/03/2004	13.02.03 (Effective from 25.03.03 to 31.03.04)	N/A	N/A
Johor State Government	Forestry Licence Licence No. 3/2002 C	11.11.02 (Effective from 01.01.03 to 31.12.03)	The licence holder is not allowed to: (i) transfer this licence; (ii) rent, pawn, lent, charge or sell whole or part of the factory or any extensions thereof; and (iii) make any changes to the shareholding whether in whole or in part of the factory, without the prior written consent of the State Authority.	N/A

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X. OTHER INFORMATION CONCERNING THE DEB GROUP (Cont'd)

2. Landed Properties

A summary of the details of the DEB Group's landed properties is as follows:

Registered/ Beneficial Owner	Location	Approximate age of building (years)	Built-up area sq.m.	Land area hectare (10,421 sq. m.)	Description of Property/ Existing use *	Tenure	Restriction-in-Interest	Encumbrances	Occupation	Market Value RM	Date of Valuation	Market Value Approved by the SC RM	Audited Net Book Value as at 31 March 2003 RM
PWSB	MLO 5502.(Lot No 8619) HS(D) 11272, Mukim of Senai-Kulai, District of Johor Bahru, State of Johor	11 years	4,261.2 sq.m.	1,0421 hectare (10,421 sq. m.)	Single storey detached double storey front office annexed	Freehold	None	Charged to a financial institution	Owner occupied	5,000,000	26.07.2002	5,000,000	4,932,078
APPL	Lot. MK 7-3134M No.22, Tuas View Square Singapore 637603	2 years	1,520.6 sq.m.	2,166.0 sq. m.	Single storey detached factory with three storey ancillary office	Leasehold 60 years expiring on 29.10.2056	None	Mortgaged to a financial institution	Owner occupied	(1) 6,081,600	03.08.2002	(2) 5,768,000	(3) 5,913,599
ISB	PT No 348 HS(D) 26394 Mukim of 13, District of Seberang Perai Tengah, Pulau Pinang	6 years	2,017.3 sq.m.	0.4049 hectare (4,049 sq. m.)	Single storey detached factory building with a double storey office annex	Leasehold 60 years expiring on 24.8.2058	(i) The land title shall not be transferred, charged, leased or sub-leased or disposed without the written consent of the State Authority; (ii) The land title shall not be subdivided or partitioned; (iii) The land title and any building on it shall not be used for any purposes other than that approved by the Perbadanan Pembangunan Pulau Pinang and State Authority	Charged to a financial institution	Ground floor is occupied by owner and 1st floor is tenanted to third party for 3 years till 14 December 2003	2,400,000	05.08.2002	2,400,000	2,350,967
ISB	Lot No. P. T 43314 HS(D) 128747, Mukim and District of Petaling, State of Selangor	5 years	2,295.30 sq.m.	4,047 sq. m.	Single storey detached factory building with a double storey office annex	Freehold	None	Charged to a financial institution	Ground floor office and front portion of the factory are occupied by ISB and the first floor office and the rear portion of the factory are tenanted to third party till 1 December 2004	3,450,000	30.07.2002	3,450,000	3,413,482

X. OTHER INFORMATION CONCERNING THE DEB GROUP (Cont'd)

Registered/ Beneficial Owner	Location	Approximate age of building (years)	Built-up area	Land area	Description of Property/ Existing use *	Tenure	Restriction-in-Interest	Encumbrances	Occupation	Market Value RM	Date of Valuation	Market Value Approved by the SC RM	Audited Net Book Value as at 31 March 2003 RM
ISB #	Lot 5151 HS(M) 1780 Mukim 14 Seberang Perai Tengah Pulau Pinang	10 years	83.6 sq.m.	111sq.m.	Double storey terrace house	Freehold	None	Free from encumbrances	Vacant	-	-	-	155,000
CTSB	Lot. No. 37602 (formerly PTD 65854) Geran No. 74521 Mukim of Tebrau, District of Johor Bahru, State of Johor	7 years	1,335.0 sq.m.	2,485 sq.m.	1½ storey factory	Freehold	The land that is in this title shall not be permitted to be transferred in whatever manner until the factory building stated in the express condition has commenced construction in accordance to the plan approved by the relevant local authority	Charged to a financial institution	Owner occupied	2,350,000	01.08.2002	2,350,000	2,312,022
BISB	PTD No.1508 HS(D) 21332, Mukim of Sungai Terap, District of Muar, State of Johor	5 years	1,992.8 sq.m.	0.2266 hectare (2,266.2 sq. m.)	Single storey detached factory with double storey office annexed	Leasehold 60 years expiring on 20.5.2056	The land alienated shall not be sold, leased, charged, mortgaged or transferred in whatever manner including any agreement purposed to sell the land without the consent of the State Authority.	Free from encumbrances	Tenanted to CTSB	1,250,000	29.07.2002	1,250,000	1,224,791
Total										20,531,600		20,218,000	20,301,939

Notes:

NA Not available.

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All of the above mentioned properties have obtained their respect certificates of fitness.

The property is sold to ISB by its debtor pursuant to a sale and purchase agreement dated 5 July 2001 for a purchase consideration of RM155,000 which was satisfied partly by cash payment of RM12,927.50 and the balance by way of settlement of debt amounted to RM42,072.50 owing by the said debtor. No revaluation is conducted on the aforesaid property as it was acquired in July 2001 which is within a fairly recent time from the date of revaluation of the other properties of the DEB Group which took place in July and August 2002.

(1) Being S\$2,800,000 converted at the closing rate of RM2.172 as at 2 August 2002. (Source: Maitayan Banking Berhad)

(2) Being S\$2,800,000 converted at the closing rate of RM2.06 as at 31 March 2002. (Source: As per the closing rate adopted from the financial year ended)

(3) Being S\$2,750,511 converted at the closing rate of RM 2.15 as at 31 March 2003. (Source: As per the closing rate adopted from the financial year ended)

The total revaluation surplus of RM4,330,922 arising from the revaluation of the landed properties as disclosed in the schedule in Section VII.2 (ii) of the Prospectus has been incorporated in the respective accounts of the subsidiaries of DEB in the financial year ended 31 March 2003.

XI. FINANCIAL INFORMATION**1. Historical Financial Information****(a) Profit and Dividend Records**

The following is a summary of the financial performance of the DEB Group for the past five (5) financial years ended 31 March 2003. The consolidated profit and dividend records should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section XII of this Prospectus:

	←-----Year ended 31 March----->				
	1999 RM 000	2000 RM 000	2001 RM 000	2002 RM 000	2003 RM 000
Revenue	70,861	107,073	115,538	125,088	143,907
EBIDTA	7,239	11,061	8,618	9,589	11,874
Interest	(876)	(1,063)	(1,491)	(1,207)	(1,031)
Depreciation	(682)	(1,037)	(1,439)	(1,611)	(1,728)
Amortisation	(7)	(7)	(31)	(31)	(31)
Income from other investment	79	49	48	45	63
PBT	5,753	9,003	5,705	6,785	9,147
Taxation	(715)	(700)	(996)	(944)	(1,641)
PAT	5,038	8,303	4,709	5,841	7,506
MI	(39)	(316)	-	-	-
PAT and MI	4,999	7,987	4,709	5,841	7,506
No. of DEB Shares in issue (000)	⁽¹⁾ 77,400	⁽¹⁾ 77,400	⁽¹⁾ 77,400	⁽¹⁾ 77,400	77,400
Gross EPS (sen)	7.4	11.6	7.4	8.8	11.8
Net EPS (sen)	6.5	10.3	6.1	7.5	9.7
Dividend rate (%)	-	-	-	-	5.0

All the audited accounts of the DEB Group have been prepared in accordance with the approved accounting standards issued or approved by the Malaysian Accounting Standards Board which are applicable for the accounting periods commencing 1 September 1998.

Notes:

⁽¹⁾ Being the number of shares assumed in issue before the Public Issue

⁽²⁾ There are no extraordinary items or exceptional items for the five (5) financial years ended 31 March 2003.

XI. FINANCIAL INFORMATION (Cont'd)**Segmental Analysis of Revenue and Profits****Analysis of revenue**

	←----- Year ended 31 March ----->				
	1999 RM 000	2000 RM 000	2001 RM 000	2002 RM 000	2003 RM 000
DEB	-	-	-	-	-
PWSB	19,166	26,227	27,954	20,852	24,366
BISB	36	48	3,285	7,672	8,982
AIPL	14,993	14,482	15,124	12,131	16,073
CTSB	16,687	30,310	29,089	31,875	35,614
ISB	23,296	39,287	41,751	44,889	51,394
JSB	-	-	-	9,136	9,686
Less: Consolidated adjustments	(3,317)	(3,281)	(1,665)	(1,467)	(2,208)
Group revenue	70,861	107,073	115,538	125,088	143,907

Analysis of PBT

	←----- Year ended 31 March ----->				
	1999 RM 000	2000 RM 000	2001 RM 000	2002 RM 000	2003 RM 000
DEB	(8)	(7)	(15)	(8)	(8)
PWSB	2,727	4,068	2,284	3,003	4,576
BISB	11	23	516	594	727
AIPL	781	472	639	377	796
CTSB	1,065	1,735	1,093	1,165	1,329
ISB	1,276	1,909	1,383	1,524	1,571
JSB	-	-	-	121	164
Less: Consolidated adjustments	(99)	4	36	(41)	(8)
Group PBT	5,753	8,204	5,936	6,735	9,147

Financial year ended 31 March 1999

In the financial year ended 31 March 1999, the Group reported a PBT of RM5.8 million on the back of a revenue of RM70.9 million. This represented a 16.9% decrease in revenue but a 51.5% improvement in PBT. The decrease in revenue was due mainly to lower contribution from AIPL, ISB and CTSB as sales were affected by the aftermath effect of the regional crisis which resulted in poorer demand for furniture and wood products used in the manufacturing and construction industries in the region. The Group had to reduce the selling price of its manufactured products in order to penetrate into overseas markets. In spite of lower revenue, the Group posted higher PBT due to lower purchase prices from its major suppliers. The effective tax rate of 12% was lower than the statutory income tax rate of DEB due mainly to the waiver of tax payable on chargeable income of certain subsidiaries in Malaysia by the Inland Revenue Board to facilitate the transition of the income tax assessment from the preceding year system to the current year system.

XI. FINANCIAL INFORMATION (Cont'd)

Financial year ended 31 March 2000

Revenue on a consolidated basis surged 51.1% to RM107.1 million in the financial year ended 31 March 2000. The increase in revenue was brought about by the increase in sales of PWSB, CTSB and ISB. The increase in revenue of CTSB and ISB was due largely to the set up of new offices in Kuantan and Kota Bahru and the closure of certain competitors of CTSB and ISB during the economic downfall in 1999 which had led to an increase in market shares. In tandem with the increase in revenue, the Group's PBT rose 56.4% to RM9.0 million. The effective tax rate of 8.2% was lower than the statutory income tax rate due mainly to the utilisation of reinvestment allowances by certain subsidiaries and claims for allowances for an increase in exports by PWSB.

Financial year ended 31 March 2001

Revenue on a consolidated basis rose by 7.9% to RM115.5 million in the financial year ended 31 March 2001. Nevertheless, the Group's PBT contracted 36.6% to RM5.7 million. The decline in PBT was due to lower profit margins as a result of the reduction in selling price of its manufactured products in order to penetrate into the Korean and European markets, increase in sales contributed by LMW sales which generated lower profit margins as compared to export sales, higher raw material costs and purchase prices of trading merchandise and increase in depreciation charges and interest expense. The increase in interest expense was due to additional loan drawdown in late 2000 by CTSB and ISB to finance the increase in operating activities following the increase in sales and the capital expenditure incurred for setting up the new offices in Kuantan and Kota Bahru respectively. The effective tax rate of 18.3% was lower than the statutory income tax rate due mainly to the utilisation of reinvestment allowances by certain subsidiaries and claims for allowances for an increase in exports by PWSB.

Financial year ended 31 March 2002

For the financial year ended 31 March 2002, the Group reported a PBT of RM6.8 million on the back of a revenue of RM125.1 million. This represented an increase of 18.9% and 8.3% in PBT and revenue respectively over prior year. The improvement in revenue was due mainly to the increase in revenue of BISB, ISB and CTSB. The improvement in PBT was in tandem with the increase in sales volume which enabled the Group to achieve operating leverage through better absorption of fixed cost and an improvement in production efficiency in PWSB through less wastage of raw materials. The effective tax rate of 14.6% was lower than the statutory income tax rate due mainly to the utilisation of reinvestment allowances by certain subsidiaries and claims for allowances for an increase in exports by PWSB.

Financial year ended 31 March 2003

For the financial year ended 31 March 2003, the Group reported a PBT of RM9.1 million on the back of a revenue of RM143.9 million. This represented an increase of 34.8% and 15.0% in PBT and revenue respectively over prior year. The improvement in revenue was due to the changes in marketing strategy adopted by the Group, whereby selling price of certain products are reduced to capture a larger market share. The improvement in PBT was in tandem with the increase in sales and an improvement in production efficiency in PWSB. The effective tax rate of 17.9% was lower than the statutory income tax rate due mainly to the utilisation of reinvestment allowances by certain subsidiaries and claims for allowances for an increase in exports by PWSB.

XI. FINANCIAL INFORMATION (Cont'd)**(b) Directors' Declaration of Financial Performance**

Save for the information disclosed in this Prospectus, as at the date hereof, the financial performance, position and operations of the DEB Group are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (ii) material capital expenditure commitments;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

(c) Working Capital, Borrowings, Contingent Liabilities, Material Capital Commitments and Material Litigation**(i) Working Capital**

The Directors of DEB are of the opinion that after taking into account the cashflow forecast of the DEB Group, banking facilities available and the gross proceeds from the Public Issue, the DEB Group will have adequate working capital for a period of (12) twelve months from the date of this Prospectus for its foreseeable requirements.

(ii) Borrowings

As at 31 August 2003, the total outstanding bank borrowings of the DEB Group amounted to RM18.3 million. Details of the DEB Group's outstanding bank borrowings, all of which are interest-bearing, are as follows:

	RM 000
Long-term borrowings	43
Short-term borrowings	18,295
Total borrowings	<u>18,338</u>

There has not been any default on payments of either interest or principal sums in respect of any borrowings throughout the financial year ended 31 March 2003 and subsequent financial period immediately preceding the date of this Prospectus.

XI. FINANCIAL INFORMATION (Cont'd)**(iii) Contingent Liabilities**

As of 31 August 2003, the Group (all pertaining to the subsidiaries) has credit facilities from licensed banks and a financial institution totaling RM34.9 million which are guaranteed by DEB. Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the said subsidiaries as of 31 August 2003 amounting to about RM18.3 million.

(iv) Material Capital Commitments

Save as disclosed below and in Section II of this Prospectus, as at the date hereof, the Directors of DEB are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

	RM million
Authorised but not contracted	(1) 1.5
Authorised and contracted	(2) 4.4
	5.9

Notes:

(1) *Relating to the purchase of moulding and wrapping machinery.*

(2) *Comprising RM4.0 million for the purchase of a factory cum warehouse located in Kulai, Johor and RM0.4 million for the purchase of a factory located in Kuantan for which the sale and purchase agreements have been executed on 25 September 2002 and 2 September 2002 respectively.*

(v) Material Litigation

The Company and its subsidiaries are not engaged in any material litigation, either as plaintiff or defendant, and the Directors of the Company do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the DEB Group.

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XI. FINANCIAL INFORMATION (Cont'd)**2. Future Financial Information****(a) Consolidated Profit Forecast**

The Board forecasts that the consolidated PAT of DEB for the financial year ending 31 March 2004 will be as follows:

Year ending 31 March	2004 RM 000
Revenue	149,978
PBT	10,160
Less: Taxation	(1,754)
PAT	8,406
Weighted average number of DEB Shares in issue (000) ⁽¹⁾	80,983
Gross EPS (sen)	
- Based on the weighted average number of shares	12.5
- Based on the enlarged share capital of 86,000,000 DEB Shares	11.8
Net EPS (sen)	
- Based on the weighted average number of shares	10.4
- Based on the enlarged share capital of 86,000,000 DEB Shares	9.8
Gross PE Multiple based on the Issue/Offer Price of RM0.65 per DEB Share (times)	
- Based on the weighted average number of shares	5.2
- Based on the enlarged share capital of 86,000,000 DEB Shares	5.5
Net PE Multiple based on the Issue/Offer Price of RM0.65 per DEB Share (times)	
- Based on the weighted average number of shares	6.3
- Based on the enlarged share capital of 86,000,000 DEB Shares	6.6

Note:

⁽¹⁾ The weighted average number of DEB Shares in issue is calculated based on the assumption that the Public Issue would be completed by 1 November 2003.

Principal Bases and Assumptions

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

1. The prevailing economic and political environment in Malaysia and elsewhere will continue and will not have significant adverse effects on the DEB Group's activities to be conducted at forecast level.
2. There will be no material changes in present legislation and government regulations, and guidelines of regulatory authorities, which will significantly affect the DEB Group's activities.
3. There will not be any material fluctuation in inflation rates and exchange rates of foreign currencies against the Ringgit Malaysia.
4. Existing financing facilities will remain available and that the level of interest rates will not change materially from those presently prevailing. Additional financing facilities will be obtained at the present prevailing interest rates.

XI. FINANCIAL INFORMATION (Cont'd)

5. There will be no major industrial disputes or any abnormal factors which will adversely affect the DEB Group's activities.
6. There will be no material acquisition or disposal of property, plant and equipment, and investments other than those budgeted.
7. There will be no significant changes in management structure and accounting policies adopted by the companies within the DEB Group.
8. There will be no material changes in the DEB Group's present demand and market condition of its products.
9. There will be no significant changes in the present principal activities of the DEB Group.
10. There will be no material changes in prices of raw materials, wages, costs of production and other related costs which will affect the DEB Group's performance.
11. There will be no significant changes in the income tax rate, and it is assumed that the DEB Group will continue to enjoy reinvestment allowance incentive.
12. Proceeds from the public issue of shares by DEB will be received in October 2003.

(b) Directors' Commentary on Achievability of Consolidated Profit Forecast***Profit Forecast for the Financial Year Ending 31 March 2004***

The revenue is forecast at RM150.0 million for the financial year ending 31 March 2004, representing an increase of 4.2% as compared to the financial year ended 31 March 2003. The expected increase in revenue is on the back of higher sales orders from overseas. In tandem with the increase in revenue, PAT is forecast to increase by 12.0% to RM8.4 million. The expected improvement in PAT is contributed by lower cost of goods sold arising from cheaper material sourced from PRC, higher discount from suppliers arising from the bulk purchases and improvement in production efficiency through economies of scale as the production volume increases.

The Directors of DEB have reviewed and analysed the consolidated profit forecast of the DEB Group and the underlying bases and assumptions stated therein. The Directors of DEB confirm that after due and careful enquiry, the consolidated profit forecast and the underlying bases and assumptions are reasonable on the back of the orders secured by the Group to date, the future prospects of the industry, the future plans and strategies to be adopted by the Group as set out in Section VI and VII.3 respectively as well as the Group's level of gearing, liquidity and working capital requirements.

Nonetheless, the financial forecast for the financial year ending 31 March 2004 is based on reasonable assumptions made and there can be no assurance that the consolidated profit forecast will be achievable.

XI. FINANCIAL INFORMATION (Cont'd)**3. Dividend Forecast**

It is the intention of the Directors of DEB to recommend dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the Company.

Future dividends may be waived if:

- (i) The DEB Group is in a loss position for the relevant financial period; or
- (ii) The DEB Group has insufficient cashflows to meet any dividend payments.

The Directors of DEB forecast a tax-exempt dividend of 2.5 sen per DEB Share for the financial year ending 31 March 2004 based on the enlarged issued and paid-up share capital of 86,000,000 ordinary shares of RM0.50 each.

Based on the Issue/Offer Price of RM0.65 per DEB Share, the dividend yield per DEB Share would be approximately 3.8% and the net dividend cover of 4.1 times based on the earnings for the financial year ending 31 March 2004.

The intended appropriation of the forecast consolidated PAT for the financial year ending 31 March 2004 will be as follows:

Year ending 31 March	2004 RM 000
PBT	10,160
Less: Taxation	(1,754)
PAT	8,406
Less: Proposed tax-exempt dividend of 2.5sen per DEB Share	(2,150)
Profit retained for the financial year	6,256
Forecast tax-exempt dividend per DEB Share (sen)	2.5
Forecast dividend yield based on the Issue/Offer Price of RM0.65 per DEB Share (%)	3.8
Dividend cover based on forecast tax-exempt dividend per DEB Share (times)	4.1

4. Sensitivity Analysis

The principal bases and assumptions upon which the sensitivity analysis on the DEB Group's profit have been made are as follows:

- (i) The selected variable item will vary $\pm 5\%$ and $\pm 10\%$ from the base case; and
- (ii) Except for the selected variable items, the same assumptions for the other items as for the base case shall apply.

XI. FINANCIAL INFORMATION (Cont'd)

The following scenarios attempt to show the impact on profit resulting from changes in sales volume, selling price, cost of goods sold and operating expenses.

(i) Variation in sales volume

	←----- For the financial year ending 31 March 2004 ----->			
	PBT	%	PAT	%
	RM 000		RM 000	
Up 5%	10,872	7.0	8,967	6.7
Up 10%	11,744	15.6	9,727	15.7
Down 5%	9,186	(9.6)	7,586	(9.8)
Down 10%	8,341	(17.9)	6,895	(18.0)

(ii) Variation in Selling Price

	←----- For the financial year ending 31 March 2004 ----->			
	PBT	%	PAT	%
	RM 000		RM 000	
Up 5%	16,930	66.6	13,545	61.1
Up 10%	23,819	134.4	18,804	123.7
Down 5%	3,152	(69.0)	3,337	(60.3)
Down 10%	(3,738)	NA	(3,643)	NA

(iii) Variation in cost of goods sold

	←----- For the financial year ending 31 March 2004 ----->			
	PBT	%	PAT	%
	RM 000		RM 000	
Up 5%	4,113	(59.5)	3,781	(55.0)
Up 10%	(1,880)	NA	(2,023)	NA
Down 5%	15,968	57.1	12,746	51.6
Down 10%	21,896	115.5	17,187	104.5

(iv) Variation in Operating Expenses

	←----- For the financial year ending 31 March 2004 ----->			
	PBT	%	PAT	%
	RM 000		RM 000	
Up 5%	9,641	(5.1)	7,965	(5.2)
Up 10%	9,242	(9.0)	7,643	(9.1)
Down 5%	10,440	2.7	8,608	2.4
Down 10%	10,840	6.7	8,939	6.3

(v) Variation in Interest Rate

	←----- For the financial year ending 31 March 2004 ----->			
	PBT	%	PAT	%
	RM 000		RM 000	
Up 5%	10,114	(0.5)	8,359	(0.6)
Up 10%	10,067	(0.9)	8,313	(1.1)
Down 5%	10,208	0.5	8,453	0.6
Down 10%	10,254	0.9	8,500	1.1

XI. FINANCIAL INFORMATION (Cont'd)**5. Analysis of Inventories of the DEB Group****5.1 Inventory Turnover Trend**

Financial Year	1999	2000	2001	2002	2003
Inventories (RM000)	10,330	13,086	13,110	13,457	18,782
Percentage of inventories to revenue (%)	14.5	12.2	11.3	10.8	13.1
Cost of goods sold (RM000)	59,414	92,002	101,828	110,484	127,300
Inventories turnover period (days) *	58	46	46	43	46

Note :

NA Not applicable.

* *Inventories turnover period is computed by dividing the inventories (based on an average basis) with cost of goods sold. Goods in transit are excluded from the calculation of inventories turnover period.*

The Group's inventories consist mainly of trading merchandise, raw materials and finished goods which account for 59%, 28% and 9% respectively of the Group's inventories as at 31 March 2003. The Group practices timely inventory management to ensure the inventory holding cost is kept to the minimal but with sufficient inventory level for timely delivery to customers. The Group has been maintaining one (1) month supply of finished goods and trading merchandise for contingency purposes.

In the financial year ended 31 March 1999, the inventory turnover period increased to fifty eight (58) days as compared to forty (40) days in the financial year ended 31 March 1998. This is due to the increase in the inventory level with more variety of stocks being kept to meet different customers' requirements and stocks which were due for shipment subsequent to the financial year end. Nevertheless, the inventory turnover period improved in the financial year ended 31 March 2000 and maintained at more or less the same level thereafter as the Group implemented effective inventory control measures to contain the stockholding period.

5.2 Risk of Stock Obsolescence

The inventories are valued at lower of cost and net realisable value. As disclosed in the audited financial statements for the past five (5) financial years ended 31 March 2003, there were no material obsolete or slow-moving inventories.

In order to minimise slow-moving and obsolete stocks, the management has taken, inter-alia, the following strategies:

- (a) established a wide network of suppliers from which the Group is able to source its merchandise on a timely manner. This enables the Group to adopt a flexible purchasing policy by ordering materials and stocks on a "just-in-time" basis upon receiving customers' orders. This significantly reduces the risk of obsolete finished goods.
- (b) undertakes market survey in order to stay abreast with the latest product development and manufacturing technologies as well as maintaining close contact with its customers through its forty-one (41) sales personnel. In addition, there are also four (4) product development personnel responsible for monitoring changes in market demand, and ensuring that the DEB Group is able to respond promptly to changes in customers' requirements. This allows the Group to plan its inventory purchases in order to minimise stock obsolescence.

Production of goods only commences upon receiving confirmed order from customers. However, the Group keeps one (1) month supply of finished goods and trading merchandise to minimise the incident of stock obsolescence.

XI. FINANCIAL INFORMATION (Cont'd)**6. Ageing Analysis of Trade Debtors of the DEB Group**

	Audited as at 31 March 2003	←-----Exceeding Credit Period-----→				
		Current	1-30 days	31-60 days	61-90 days	Over 91 days
Trade debtors* (RM000)	22,932	20,776	1,179	294	209	474
Percentage of total trade debtors (%)	100.0	90.6	5.1	1.3	0.9	2.1

For financial year ended 31 March 2003, total trade debtors that have exceeded credit periods were approximately 9.4% or RM2.16 million, out of which the DEB Group has provided for an amount of approximately RM0.13 million as doubtful debts in the financial year then ended. As at 31 July 2003, the DEB Group has collected approximately RM1.85 million of the aforesaid balance of RM2.16 million. The Directors of DEB are of the opinion that the remaining balance of RM0.18 million trade debtors which exceeded credit period and remain outstanding are recoverable in view of the proven financial trade records, the long term business relationship between the Group and the customers and various credit control implemented by the Group to monitor collection from these trade debtors.

Note:

* Being trade debtors before provision for doubtful debts

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XI. FINANCIAL INFORMATION (Cont'd)**7. Proforma Consolidated Balance Sheets**

	Audited as of 31 March 2003 RM 000	Proforma I upon declaration and payment of Pre-listing Dividends RM 000	Proforma II after Proforma I and Public Issue RM 000	Proforma III after Proforma II and utilisation of proceeds RM 000
ASSETS				
Property, plant and equipment	27,165	27,165	27,165	33,171
Goodwill on consolidation	668	668	668	668
Current Assets				
Inventories	18,782	18,782	18,782	18,782
Trade receivables	22,807	22,807	22,807	22,807
Other receivables and prepaid expenses	1,611	1,611	1,611	961
Cash and bank balances	9,373	7,438	13,028	6,172
	52,573	50,638	56,228	48,722
Current Liabilities				
Trade payables	6,657	6,657	6,657	6,657
Other payables and accrued expenses	1,053	1,053	1,053	1,053
Hire-purchase payables	53	53	53	53
Borrowings	19,885	19,885	19,885	19,885
Income tax liabilities	249	249	249	249
	27,897	27,897	27,897	27,897
Net Current Assets	24,676	22,741	28,331	20,825
Long-term and Deferred Liabilities				
Hire-purchase payables-non current portion	44	44	44	44
Borrowings-non current portion	151	151	151	151
Deferred tax liabilities	653	653	653	653
	(848)	(848)	(848)	(848)
Net Assets	51,661	49,726	55,316	53,816
Represented by:				
Share capital	38,700	38,700	43,000	43,000
Reserves				
Share premium	277	277	1,567	67
Translation reserve	281	281	281	281
Revaluation reserve	4,331	4,331	4,331	4,331
Unappropriated profit	8,072	6,137	6,137	6,137
	12,961	11,026	12,316	10,816
Shareholders' Equity	51,661	49,726	55,316	53,816
NTA (RM'000)	50,993	49,058	54,648	53,148
NTA per share (RM)	0.66	0.63	0.64	0.62

XI. FINANCIAL INFORMATION (Cont'd)**Notes to the Proforma Consolidated Balance sheets as at 31 March 2003:**

The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only based on the accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements and are based on the audited balance sheet of the DEB Group as of 31 March 2003.

1. The audited consolidated financial statements of the DEB Group takes into account the following which have been effected as of 31 March 2003:
 - (i) revaluation of investment in subsidiaries by DEB based on the audited net tangible assets as of 31 March 2002, adjusted for revaluation of landed properties in the subsidiaries;
 - (ii) 2-for-1 share split to convert the nominal value of the ordinary shares from RM1.00 per ordinary share to RM0.50 per ordinary share. After the share split, the issued and fully paid-up share capital of DEB comprises 10,227,252 DEB Share; and
 - (iii) renounceable bonus issue of 67,172,748 DEB Share to the existing shareholders on the basis of approximately 6,568 DEB shares for every 1,000 DEB Share held subsequent to the share split. The bonus issue is effected by capitalising RM32,560,376 and RM1,025,998 from the revaluation surplus account arising from the revaluation of investment in subsidiary of DEB and share premium account respectively.
2. Proforma I is based on the assumption that the following have been effected as of 31 March 2003:
 - (i) CTSB and ISB have declared and paid pre-listing dividends of 49.3132%, tax exempt, amounting to RM739,698 and 59.7651%, tax exempt, amounting to 1,195,302 respectively in respect of the financial year ended 31 March 2003; and
 - (ii) Thereafter, DEB has declared and paid pre-listing dividend of 5%, tax exempt, amounting to RM1,935,000 in respect of the financial year ended 31 March 2003.
3. Proforma II is based on the assumption that Proforma I and Public Issue of 8,600,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share has been effected as of 31 March 2003.
4. Proforma III is based on the assumption that Proforma II and the following have been effected as of 31 March 2003:

Proceeds from the Public Issue will be utilised for the following purposes:

	RM'000
Capital expenditure on property, plant and equipment	6,006
Part finance by internally generated fund	<u>(1,916)</u>
Part finance by proceeds from the Public Issue	4,090
Estimated listing expenses	<u>1,500</u>
	<u>5,590</u>

The estimated listing expenses of RM1.5 million is set off against the share premium account, of which RM650,000 has been paid as of March 31, 2003, and has been included in other receivables and prepaid expenses.

XI. FINANCIAL INFORMATION (Cont'd)

8. Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets

(Prepared for inclusion in this Prospectus)

Deloitte KassimChan (AF 0080)
Chartered Accountants
21, Jalan Tun Abdul Razak
Susur 1/1
80000 Johor Bahru, Johor, Malaysia

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Fax : +60(7) 2247508
deloitte@tm.net.my

**Deloitte
KassimChan**

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in the Prospectus)

September 9, 2003

The Board of Directors
Dominant Enterprise Berhad
No. 18, Jalan Belati 1
Off Jalan Kempas Lama
Taman Perindustrian Maju Jaya
81330 Skudai
Johor

Dear Sirs

**DOMINANT ENTERPRISE BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2003**


We have reviewed the Proforma Consolidated Balance Sheets of Dominant Enterprise Berhad ("DEB") and its subsidiary companies ("DEB Group") as of March 31, 2003, together with the notes and assumptions thereto, for which the Directors are solely responsible, as set out in the Prospectus in connection with the Public Issue of 8,600,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share, and Offer for Sale of 17,200,000 ordinary shares of RM0.50 each at an offer price of RM0.65 per share in DEB, and the listing and quotation of its entire issued and paid-up capital on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Balance Sheets together with the notes thereto, have been properly compiled on the basis set out in the notes thereto and are presented on a basis consistent with the accounting policies normally adopted by DEB Group.

Yours faithfully



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



CHONG LEE LEE
1973/8/05(J)
Partner

**Deloitte
Touche
Tohmatsu**

XI. FINANCIAL INFORMATION (Cont'd)**DOMINANT ENTERPRISE BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2003**

The Proforma Consolidated Balance Sheets set out below are provided for illustrative purposes only to show the effects on the audited balance sheet of DEB Group as of March 31, 2003:

	Audited as of March 31, 2003 RM '000	Proforma 1 Upon Declaration and Payment of Pre-listing Dividends RM '000	Proforma 2 After Proforma 1 and Upon Public Issue RM '000	Proforma 3 After Proforma 2 and Utilisation of Proceeds RM '000
ASSETS				
Property, plant and equipment	27,165	27,165	27,165	33,171
Goodwill on consolidation	668	668	668	668
Current Assets				
Inventories	18,782	18,782	18,782	18,782
Trade receivables	22,807	22,807	22,807	22,807
Other receivables and prepaid expenses	1,611	1,611	1,611	961
Cash and bank balances	9,373	7,438	13,028	6,172
	52,573	50,638	56,228	48,722
Current Liabilities				
Trade payables	6,657	6,657	6,657	6,657
Other payables and accrued expenses	1,053	1,053	1,053	1,053
Hire-purchase payables	53	53	53	53
Borrowings	19,885	19,885	19,885	19,885
Income tax liabilities	249	249	249	249
	27,897	27,897	27,897	27,897
Net Current Assets	24,676	22,741	28,331	20,825
Long-term and Deferred Liabilities				
Hire-purchase payables - non current portion	44	44	44	44
Borrowings - non-current portion	151	151	151	151
Deferred tax liabilities	653	653	653	653
	(848)	(848)	(848)	(848)
Net Assets	51,661	49,726	55,316	53,816

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identification only with our
letter/report dated

09 SEP 2003
Deloitte Kassim Chan
Chartered Accountants

XI. FINANCIAL INFORMATION (Cont'd)

	Audited as of March 31, 2003 RM '000	Proforma 1 Upon Declaration and Payment of Pre-listing Dividends RM '000	Proforma 2 After Proforma 1 and Upon Public Issue RM '000	Proforma 3 After Proforma 2 and Utilisation of Proceeds RM '000
Represented by:				
Share capital	38,700	38,700	43,000	43,000
Reserves				
Share premium	277	277	1,567	67
Translation reserve	281	281	281	281
Revaluation reserve	4,331	4,331	4,331	4,331
Unappropriated profit	8,072	6,137	6,137	6,137
	12,961	11,026	12,316	10,816
Shareholders' Equity	51,661	49,726	55,316	53,816
Net Tangible Assets (RM'000)	50,993	49,058	54,648	53,148
Net Tangible Assets per share (RM)	0.66	0.63	0.64	0.62

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identification only with our
letter/report dated
09 SEP 2003
Deloitte Kassim Chan
Chartered Accountants

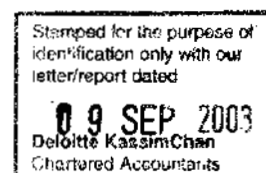
XI. FINANCIAL INFORMATION (Cont'd)**DOMINANT ENTERPRISE BERHAD
NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only based on the accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements and are based on the audited balance sheet of DEB Group as of March 31, 2003.

1. The audited consolidated financial statements of DEB Group takes into account the following which have been effected as of March 31, 2003:
 - (i) revaluation of investment in subsidiary companies by DEB based on the audited net tangible assets as of March 31, 2002, adjusted for revaluation of landed properties in the subsidiary companies;
 - (ii) 2-for-1 share split to convert the nominal value of the ordinary shares from RM1 per ordinary share to RM0.50 per ordinary share. After the share split, the issued and fully paid-up share capital of DEB comprises 10,227,252 ordinary shares of RM0.50 each; and
 - (iii) renounceable bonus issue of 67,172,748 new ordinary shares of RM0.50 each in DEB to the existing shareholders on the basis of approximately 6,568 shares for every 1,000 existing ordinary shares held subsequent to the share split. The renounceable bonus issue is effected by capitalising RM32,560,376 and RM1,025,998 from the revaluation surplus account arising from the revaluation of investment in subsidiary companies and share premium account respectively.
2. Proforma 1 is based on the assumption that the following have been effected as of March 31, 2003:
 - (i) Combi Trading Sdn. Bhd. and Ikta Sdn. Bhd. have declared and paid dividends of 49.3132%, tax exempt, amounting to RM739,698 and 59.7651%, tax exempt, amounting to RM1,195,302 respectively in respect of the financial year ended March 31, 2003; and
 - (ii) Thereafter, DEB has declared and paid pre-listing dividend of 5%, tax exempt, amounting to RM1,935,000 in respect of the financial year ended March 31, 2003.
3. Proforma 2 is based on the assumption that Proforma 1 and Public Issue of 8,600,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share has been effected as of March 31, 2003.
4. Proforma 3 is based on the assumption that Proforma 2 and the following have been effected as of March 31, 2003:

Proceeds from the Public Issue will be utilised for the following purposes:

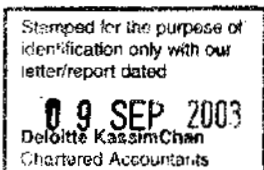
	RM'000
Capital expenditure on property, plant and equipment	6,006
Part finance by internal generated fund	(1,916)
	<hr/>
Part finance by proceeds from the Public Issue	4,090
Estimated listing expenses	1,500
	<hr/>
	5,590
	<hr/>



XI. FINANCIAL INFORMATION (Cont'd)

Proceeds from the Public Issue will be utilised for acquisition of plant and machinery amounting to RM1.5 million, part finance the purchase of factory cum warehouse amounting to RM2.59 million and payment of listing expenses.

The estimated listing expenses of RM1.5 million is set off against the share premium account, of which RM650,000 has been paid as of March 31, 2003, and has been included in other receivables and prepaid expenses.



XI. FINANCIAL INFORMATION (Cont'd)

9. Reporting Accountant's Letter on the Consolidated Profit Forecast
(Prepared for inclusion in this Prospectus)

Deloitte KassimChan (AF 0080)
Chartered Accountants
21, Jalan Tun Abdul Razak
Susur 1/1
80000 Johor Bahru, Johor, Malaysia

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Fax : +60(7) 2247508
deloitte@tm.net.my

**Deloitte
KassimChan**

REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST
(Prepared for inclusion in the Prospectus)

September 9, 2003

The Board of Directors
Dominant Enterprise Berhad
No. 18, Jalan Belati 1
Off Jalan Kempas Lama
Taman Perindustrian Maju Jaya
81330 Skudai
Johor

Dear Sirs

DOMINANT ENTERPRISE BERHAD
CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING MARCH 31, 2004

We have reviewed the consolidated profit forecast of Dominant Enterprise Berhad Group ("DEB Group") for the year ending March 31, 2004 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Malaysian Approved Standards on Auditing, AI 810 applicable to the review of forecasts. The forecast has been prepared for inclusion in the Prospectus in connection with the Public Issue of 8,600,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per share, and Offer for Sale of 17,200,000 ordinary shares of RM0.50 each at an offer price of RM0.65 per share in DEB, and the listing and quotation of its entire issued and paid-up capital on the Second Board of the Kuala Lumpur Stock Exchange, and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the DEB Group in its audited financial statements for the year ended March 31, 2003. The Directors of DEB Group are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

**Deloitte
Touche
Tohmatsu**

XI. FINANCIAL INFORMATION (Cont'd)

DELOITTE KASSIMCHAN

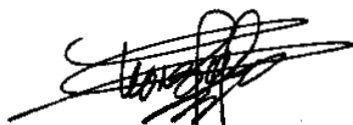
Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit forecast; and
- (ii) in our opinion, the profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the DEB Group in its audited financial statements for the year ended March 31, 2003.

Yours faithfully

DeLoitte Kassimchan

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



CHONG LEE LEE
1973/8/05(J)
Partner

XI. FINANCIAL INFORMATION (Cont'd)**DOMINANT ENTERPRISE BERHAD
CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS**

Baring unforeseen circumstances and on the bases and assumptions set out below, the Board of Directors of DEB forecast that the proforma consolidated profit forecast of DEB Group for the year ending March 31, 2004 are as follows:

	Forecast 2004 RM'000
Revenue	<u>149,978</u>
Profit before tax	10,160
Income tax expense	<u>(1,754)</u>
Net Profit	<u>8,406</u>
Weighted average number of shares in issue ('000)*	80,983
Gross earnings per share (Sen)**	12.55
Net earnings per share (Sen)**	10.38
Gross PE Multiple based on issue price of RM0.65 per share (times)	5.2
Net PE Multiple based on issue price of RM0.65 per share (times)	<u>6.3</u>

* The weighted average number of shares in issue is calculated based on the assumption that the public issue is completed by November 1, 2003.

** Calculated based on the weighted average number of shares in issue.

The principal bases and assumptions upon which the consolidated profit forecast has been arrived at are as follows:

1. The prevailing economic and political environment in Malaysia and elsewhere will continue and will not have significant adverse effects on the Group's activities to be conducted at forecasted level.
2. There will be no material changes in present legislation and government regulations, and guidelines of regulatory authorities, which will significantly affect the Group's activities.
3. There will not be any material fluctuation in inflation rates and exchange rates of foreign currencies against the Ringgit Malaysia.
4. Existing financing facilities will remain available and that the level of interest rates will not change materially from those presently prevailing. Additional financing facilities will be obtained at the present prevailing interest rates.

Stamped for the purpose of
identification only with our
letter/report dated
09 SEP 2003
Deloitte Kassim Chan
Chartered Accountants

XI. FINANCIAL INFORMATION (Cont'd)

5. There will be no major industrial disputes or any abnormal factors which will adversely affect the Group's activities.
6. There will be no material acquisition or disposal of property, plant and equipment, and investments other than those budgeted.
7. There will be no significant changes in the management structure and accounting policies adopted by the companies within the Group.
8. There will be no material changes in the Group's present demand and market condition of its products.
9. There will be no significant changes in the present principal activities of the Group.
10. There will be no significant changes in prices of raw materials, wages and costs of production and other related costs which will affect the Group's performance.
11. There will be no significant changes in the income tax rate, and it is assumed that the Group will continue to enjoy reinvestment allowance incentive.
12. Proceeds from the public issue will be received in October 2003.

