
2. PARTICULARS OF THE IPO

This Prospectus is dated 15 January 2004.

A copy of this Prospectus is registered with the Securities Commission. A copy of this Prospectus, together with the form of application has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

The approval of the SC obtained vide its letter dated 25 September 2003 and 2 October 2003 shall not be taken to indicate that the SC recommends the IPO and that investors should rely on their own evaluation to assess the merits and risks of the IPO.

Application will be made to the MSEB within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of DBE on the Second Board of the MSEB. These Shares will be admitted to the Official List on the Second Board of the MSEB and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the IPO Shares will be conditional upon permission being granted by the MSEB to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares on the Second Board of the MSEB. Accordingly, monies paid in respect of any application accepted from the IPO will be returned in full without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the MSEB within the aforesaid timeframe.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, MSEB has prescribed the shares of DBE as a prescribed security. In consequence thereof, the shares issued/offered through this Prospectus will be deposited directly with the MCD and any dealings in these shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications must have a CDS Account. In the case of an application by way of Application Form, an applicant should state his CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish his CDS Account number to the Participating Financial Institution by way of keying in his CDS Account if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so.

The MSEB assumes no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Second Board of the MSEB is not to be taken as an indication of the merits of the Company or of its Shares.

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

The distribution of this Prospectus and the making of the Public Issue and Offer For Sale in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue and Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Investor should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in any doubts as to the action to be taken should consult their stockbroker, bank manager, solicitors, accountant or other professional adviser immediately.

2. PARTICULARS OF THE IPO (CONT'D)

2.1 Share Capital

	RM
AUTHORISED SHARE CAPITAL	
• 100,000,000 ordinary shares of RM0.50 each	<u>50,000,000</u>
ISSUED AND FULLY PAID-UP SHARE CAPITAL :	
• Existing 68,400,000 ordinary shares of RM0.50 each	34,200,000
TO BE ISSUED PURSUANT TO THE PUBLIC ISSUE :	
• 11,600,000 new ordinary shares of RM0.50 each	<u>5,800,000</u>
ENLARGED ISSUED AND PAID-UP SHARE CAPITAL	<u>40,000,000</u>
TO BE OFFERED PURSUANT TO THE OFFER FOR SALE :	
9,400,000 ordinary shares of RM0.50 each	4,700,000
IPO PRICE PER SHARE	RM1.20

There is only one class of shares in the Company, namely ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares to be issued pursuant to this Prospectus will rank pari passu in all respect with the existing shares of the Company including voting rights and rights to all dividends that may be declared subsequent to the allotment of the Public Issue Shares.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and the whole of any surplus in the event of the liquidation of the Company.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representatives 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 representatives shall have one vote for each share held.

2.2 Basis of Arriving at the Issue/Offer Price

The IPO price of RM1.20 per Share was determined and agreed upon by the Company and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following: -

- (i) the Group's financial and operating history as outlined in Section 4 of this Prospectus;
- (ii) the forecast net PE multiples of approximately 7.95 times based on the forecast net EPS of 15.09 sen for the financial year ending 31 December 2004;
- (iii) the proforma consolidated NTA and NTA per Share of DBE as at 31 August 2003 of RM54.34 million and RM0.68 respectively;
- (iv) the estimate gross dividend yield of 1.13% based on the gross dividend of 1.35 sen for the financial year ending 31 December 2003 and the forecast gross dividend yield of 2.1% based on the gross dividend of 2.5 sen for the financial year ending 31 December 2004; and
- (v) the future plans and prospects of the DBE Group and the poultry industry as outlined in Section 4.9 of this Prospectus.

The Directors of DBE and AmMerchant Bank are of the opinion that the IPO price is fair and reasonable after careful consideration of the abovementioned factors.

2. PARTICULARS OF THE IPO (CONT'D)

However, shareholders should also note that the market price of DBE shares upon listing on the MSEB are subject to the vagaries of the market forces and other uncertainties which may affect the price of DBE shares being traded.

2.3 Details of the IPO

The Public Issue and Offer for Sale of 11,600,000 and 9,400,000 Shares respectively at an IPO price of RM1.20 are payable in full on application upon such terms and conditions as set out in this Prospectus.

The Public Issue Shares and Offer Shares will be allocated and allotted in the following manner:-

- (i) 6,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions;
- (ii) 4,000,000 Public Issue Shares have been reserved for the eligible employees, Directors and/or business associates (which include the suppliers, contractors, agents and customers) of the DBE Group:

As approved by the Board of Directors of DBE on 2 December 2003, the total number of persons eligible for the pink forms allocation is 309. The allocation for the pink form shares to the eligible employees, Directors and/or business associates of the DBE Group are based on seniority, job position, length of service, and contribution to the DBE Group.

The allocations to the eligible Directors are as follows:

Name of Directors	Number of shares
Dato' Ding Chong Chow	*
Raja Taharudin bin Raja Datuk Nong Chik	144,000
Ding Seng Huat	*
Ding Choon Yung	*
Cheng Lay Miew	*
Hong Lew Wea	*
Hairul' Anuar bin Othman	*
Ling Sing Kiong	50,000
Fong Weng Keong	50,000
Ting Heng Peng	50,000
Total	294,000

* All these Directors have renounced their pink form entitlements to the eligible employees and/or business associates of the DBE Group.

- (iii) 7,000,000 Public Issue Shares and Offer Shares has been reserved for placees determined after obtaining the SC's approval for the Proposals; and
- (iv) 4,000,000 Offer Shares will be reserved for Bumiputera investors who are approved by the MITI.

The 10,000,000 new DBE shares to be issued to the Malaysian public, eligible employees, Directors and business associates of the DBE Group in respect of paragraphs (i) and (ii) have been fully underwritten. Any Shares in respect of paragraph (ii) not subscribed for by the eligible employees, Directors and business associates of the DBE Group will be made available for application by the Malaysian public or placees if the balloting and/or placement is over subscribed.

The Shares in respect of paragraph (iii) and (iv) are not underwritten as the placees and Bumiputera parties have given an undertaking to subscribe/purchase the IPO Shares prior to issuance of the Prospectus.

Any shares in respect of paragraph (i) above which are not taken up by the Malaysian public will be made available for application to the placees under the private placement if the private placement is over subscribed or vice versa.

2. PARTICULARS OF THE IPO (CONT'D)

2.4 Opening and Closing Date of the Application

The Application will open at **10.00 AM** on **15 January 2004** and will remain open until **5.00 PM** on **28 January 2004** or for such further periods as the Directors, Promoters and Offerors of DBE together with the Managing Underwriter in their absolute discretion may decide. Late applications will not be accepted.

Where the closing of the application is extended from the original date, a notice of such extension(s) will be advertised in a widely circulated Bahasa Malaysia and English newspaper not less than one (1) market day before the original closing date.

2.5 Critical dates of the IPO

Events	Tentative Date
Opening Date of Application for the Public Issue/Offer for Sale	15 January 2004
Closing Date of Application for the Public Issue/Offer for Sale	28 January 2004
Tentative Balloting Date	30 January 2004
Tentative Despatch of Notice of Allotment Date	10 February 2004
Tentative Listing Date	11 February 2004

2.6 Purposes of the IPO

The purposes of the IPO are as follows:-

- (i) To provide an opportunity for Malaysian investors, institutions and the eligible employees, Directors and business associates of the DBE Group to participate in the equity and continuing growth of the DBE Group;
- (ii) To enable the DBE Group to gain access to the capital markets for funds for its future expansion and growth;
- (iii) To enable DBE to meet the National Development Policy requirements on 30% bumiputera shareholding spread in DBE upon its listing; and
- (iv) To facilitate the listing of and quotation for DBE's entire issued and paid-up share capital on the Second Board of the MSEB.

2.7 Utilisation of Proceeds of the Public Issue and Offer for Sale

All proceeds arising from the Public Issue via balloting/placement after deducting the relevant listing expenses will accrue to DBE. The total gross proceeds of the Public Issue is approximately RM13.92 million. DBE will bear all expenses incidental to the listing of and quotation for DBE's shares on the Second Board of the MSEB which include, inter alia, underwriting commission, brokerage, registration fee, professional fees, SC fees, advertising and listing expenses estimated to amount to RM1.4 million.

The proceeds from the Public Issue via balloting/placement will be utilised as follows:-

	RM'000	Timeframe For Full Utilization Of Proceeds
(i) Repayment of bank loan	5,410	May 2004
(ii) Working capital	7,110	May 2004
(iii) Estimated listing expenses	1,400	May 2004
Total proceeds	13,920	

2. PARTICULARS OF THE IPO (CONT'D)**(i) Repayment of Bank Loan**

As at 15 December 2003 (being the latest practicable date prior to the printing of this Prospectus), the total interest bearing facilities of the DBE Group amounted to RM66.99 million, out of which RM46.54 million has been utilised and still outstanding.

The DBE Group plans to utilize part of the listing proceeds amounting to RM5.41 million to settle a bank loan from OCBC Bank Malaysia Bhd. The facility was offered to DBE Poultry to facilitate the purchase of feedmill machinery. By settling the loan in May 2004, DBE shall be able to save the interest of approximately RM432,000 a year.

(ii) Working capital

An amount of RM7.11 million of the proceeds is set aside to part finance the working capital requirements of the DBE Group in relation to, inter-alia, the day-to-day operating expenditure requirements of the Group. The Group's purchases were normally given a credit term of about 45 days by the Group's suppliers. Hence, adequate working capital would give the Group flexibility in its cash management.

(iii) Estimated listing expenses

The Company shall bear all expenses such as brokerage and underwriting commission, registration fee relating to the Public Issue together with all other expenses and fees incidental to the listing of and quotation for the entire issued and paid-up capital of DBE on the Second Board of the MSEB estimated at RM1.4 million.

Approximately RM1.4 million of the proceeds arising from the Public Issue via balloting/placement will be utilised to defray the incidental expenses relating to the IPO which consist of, among other, professional fees and charges, brokerages and underwriting fees and other regulatory fees.

Details of the estimated listing expenses are as follows:-

	Total estimated listing expenses RM
SC perusal fee	50,000
MSEB initial listing fee	5,000
MSEB annual listing fee	2,000
Registration and lodging of prospectus	5,500
Advertisement of prospectus	50,000
Printing of application forms, share certificates, envelopes and prospectus	110,000
Professional advisory fees [^]	757,600
Translation fee	20,000
Issuing house fee and disbursement	60,000
Underwriting commission	240,000
Brokerage fee @ 1%	91,200
Contingencies *	8,700
Total estimated listing expenses	1,400,000

[^] Include fees for the Advisors, Reporting Accountants, Solicitors, Placement Agent and other professional advisors.

* Any unutilised amount will be used for working capital.

2. PARTICULARS OF THE IPO (CONT'D)

Proceeds of the Offer for Sale

The entire gross proceeds arising from the Offer for Sale of RM11.28 million shall accrue to the Offerors and no part of the proceeds of the Offer for Sale is receivable by DBE. The Offerors shall bear all expenses including underwriting fee, brokerage, stamp duty (if any) and share transfer fees relating to the Offer Shares estimated at approximately RM313,200.

2.8 Financial and Cashflow Impact from Utilisation of Proceeds

Financial Impact

The utilisation of the Public Issue proceeds by the Group is expected to have a financial impact on the Group as follows:

Financial Year Ending 31 December	Estimate 2003 RM'000	Forecast 2004* RM'000
Consolidated PBT	12,515	14,864
Consolidated PAT**	10,151	12,075

Notes:

* Assuming the listing of DBE is completed in January 2004.

** Assuming corporate tax rate of 28%.

The increase in consolidated PBT and PAT for the two (2) financial years ending 31 December 2004 is mainly due to the expected interest savings from repayment of the Group's borrowings, as mentioned in Section 2.7 above.

Cashflow Impact

The utilisation of the proceeds by the Group is expected to have a cashflow impact on the Group as follows:

Cashflow for Financial Year Ending 31 December 2004*	Forecast RM'000
Inflow	
Proceeds from the listing	13,920
	13,920
Outflow	
Repayment of bank borrowings	5,410
Working capital	7,110
Listing expenses	1,400
	13,920

Note:

* Assuming the listing of DBE is completed in January 2004.

2.9 Brokerage and Underwriting Commission

The Underwriters as mentioned in Section 1 of this Prospectus, have agreed to underwrite the 10,000,000 Public Issue Shares to be offered to the Malaysian public, eligible employees, Directors and business associates of the DBE Group. Underwriting commission is payable by the Company at 2% of the IPO price of RM1.20 per Share. The Offerors shall bear the underwriting fee relating to the Offer Shares.

Brokerage is payable in respect of the IPO Shares by the Company and the Offerors at the rate of 1% of the IPO price of RM1.20 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, participating organisations of the MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2. PARTICULARS OF THE IPO (CONT'D)

2.10 Salient Terms in the Underwriting Agreement

The following are the salient terms of the Underwriting Agreement dated 2 December 2003, including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer:-

Clause 6.1

The obligations of the Underwriters under this Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:-

- (a) the MSEB having agreed in principle on or prior to the date of the listing of and quotation for (on terms satisfactory to the Underwriters) the entire issued and paid-up share capital of the Company on the Second Board of the MSEB;
- (b) the issuance of and subscription for the Public Issue Shares pursuant to and in accordance with the provisions hereof and in the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any agency, legislative, executive or regulatory body or authority of Malaysia (including the MSEB);
- (c) the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the Securities Commission Act 1993 and subsequent lodgement of the Prospectus with the Registrar of Companies of Malaysia;
- (d) all other necessary approvals and consents required in relation to the Public Issue and the Public Issue Shares including but not limited to governmental approvals having been obtained and are in full force and effect;
- (e) the issue of the Public Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting;
- (f) there having been, as at any time hereafter up to and including the Closing Date or the Extended Closing Date, as the case may be, no event of default pursuant to the provisions herein contained, and no breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement or which proves to be incorrect in any material respect; and
- (g) there having been, as at any time hereafter up to and including the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Company or business or operations of the Company or in the prospects or future financial condition or business or operations of the Company (which in the reasonable opinion of the Underwriters, is or will be material in the context of the Public Issue and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained.

Clause 6.2

In the event any of the conditions set forth in **Clause 6.1** are not satisfied on or before the Closing Date or Extended Closing Date, as the case may be, the Underwriters shall, be entitled to forthwith terminate this Agreement by notice in writing given to the Company and thereafter, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other. For the avoidance of doubt, no Underwriting Commission shall be payable by the Company to the Underwriters in the event this Agreement is terminated pursuant to **Clause 6.2**.

2. PARTICULARS OF THE IPO (CONT'D)

Clause 13.1

Notwithstanding anything herein contained, the Underwriters may, at any time, be entitled to terminate their respective obligations under this Agreement by a majority decision with a notice in writing delivered to the Company, if in the reasonable opinion of the Underwriters, there shall have occurred, happened or come into effect, any of the following circumstances, on or before the Closing Date or the Extended Closing Date as the case may be, namely:-

- (a) any government requisition or other occurrence of any nature whatsoever which would have a material adverse effect on the financial condition or business or operations of the Company; or
- (b) any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange control or currency exchange rates which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Public Issue Shares or the sale of any Underwritten Shares (whether in the primary or in respect of dealings on the secondary market); or
- (c) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of event beyond the reasonable control of the Underwriters (including without limitation, acts of Gods, act of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents) which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Public Issue Shares or the sale of any Underwritten Shares (whether in the primary or in respect of dealings on the secondary market); or
- (d) any event or series of events beyond the reasonable control of the Underwriters by reason of force majeure which has or is likely to make this Agreement or any part thereof incapable of performance or which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Public Issue Shares or the sale of any Underwritten Shares.

"Force Majeure" shall mean causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including without limitation (i) war, acts of warfare, hostilities (whether war be declared or not) invasion, incursion by armed force, act of hostile army, nation or enemy; (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power, civil war, industrial action; (iii) flood, fire, arson, storm, lightning tempest, accident, or other Acts of God; and (iv) epidemic, explosion, disease, earthquake, hijacking, sabotage, crime; or

- (e) any breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number days as stipulated in the notice (informing of such breach) given to the Company; or
- (f) any failure on the part of the Company to perform any of its obligations herein contained; or
- (g) there is any withholding of information of a material nature by the Company from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue and Offer for Sale, or the distribution or sale of the Public Issue and Offer Shares; or

2. PARTICULARS OF THE IPO (CONT'D)

- (h) the occurrence of any event or the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained.

Clause 13.2

Upon the delivery of such notice referred to in **Clause 13.1** by the Underwriters, the Underwriters shall be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force and effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities hereunder including the payment of the Underwriting Commission and the payment of costs and expenses as provided to or in connection with such termination and for any antecedent breach under this Agreement.

Clause 13.3

The Underwriters and the Company may confer with a view to deferring the Public Issue or amending its terms or the terms of this Agreement and enter into a new underwriting agreement accordingly, but neither the Underwriters nor the Company shall be under any obligation to make a fresh agreement.

Clause 16.1

The Company shall:-

- (a) bear and pay the Underwriting Commission and all costs charges and expenses in connection with the preparation of and incidental to or arising from the issuance of the Public Issue Shares pursuant to the Public Issue and the printing of the Prospectus and other documents relating to the Public Issue and their registration and lodgement thereof so far as necessary and all costs, fees and expenses in connection with the printing and publishing of advertisements and all costs and expenses in connection with the initial delivery and distribution of the Public Issue Shares; and
- (b) pay all fees, costs, expenses and commissions incurred or payable in connection with the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the MSEB which includes the cost of the preparation of this Agreement.

2.11 Moratorium on Shares

Under the Policies and Guidelines on Issue/Offer of Securities issued by the SC, the Promoters of DBE will not be allowed to sell, transfer, or assign their shareholdings amounting to 45% of the enlarged issued and paid-up capital of DBE for one (1) year from the date of admission of DBE to the Official List of the Second Board of MSEB. Thereafter, they are allowed to sell, transfer or assign their respective shareholdings in the Company under moratorium.

2. PARTICULARS OF THE IPO (CONT'D)

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

Name	Shareholding After Proposed Listing	% of enlarged issued and paid-up capital	No. of shares under Moratorium	% of enlarged issued and paid-up capital
Fortune Junction	30,089,144	37.61	24,553,940	30.69
Dato' Ding Chong Chow	2,265,641	2.83	1,382,426	1.74
Ding Choon Yung	1,474,907	1.84	899,943	1.12
Ding Seng Huat	1,474,907	1.84	899,943	1.12
Cheng Lay Miew	1,474,907	1.84	899,943	1.12
Hong Lew Wea	1,474,907	1.84	899,943	1.12
Raja Taharudin bin Raja Datuk Nong Chik	15,813,569	19.77	6,463,862	8.09
PNS *	5,076,018	6.35	-	-
Total	59,144,000	73.92	36,000,000	45.00

* The SC had, on 25 September 2003, approved the sale and transfer of up to 6,194,462 DBE shares held by PNS that will be under moratorium to Raja Taharudin bin Raja Datuk Nong Chik upon the exercise of the call and put option agreement dated 11 February 2002. The call option in respect of 15,228,052 shares, including 6,194,462 DBE shares that are under moratorium, was exercised by Raja Taharudin bin Raja Datuk Nong Chik on 3 November 2003 pursuant to the call and put option agreement.

The restriction is specifically endorsed on the share certificates representing the respective shareholdings of the Promoters which are under moratorium to ensure that DBE's registrars do not register any transfer not in compliance with the restriction imposed by the SC.

The shareholders of Fortune Junction have also provided an undertaking that they shall not sell, transfer or assign their respective shareholdings in Fortune Junction during the moratorium period. The SC had, on 2 October 2003, waived the requirement for every shareholder or ultimate shareholder of PNS from giving an undertaking that he/she will not sell, transfer or assign his/her shareholding in PNS during the moratorium period from the date of admission of DBE to the Official List of the Second Board of the MSEB.

The endorsement affixed on the share certificates are as follows:-

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

2. PARTICULARS OF THE IPO (CONT'D)

2.12 Approvals from Authorities

Details of the conditions imposed by all the relevant authorities and status of compliance are set out in Section 6.1 of this Prospectus.

The Listing Scheme was approved by the following authorities as follows:-

Authorities	Date
SC	– 25 September 2003* and 2 October 2003
MITI	– 15 April 2003 and 7 July 2003

* The SC had vide their approval letter dated 25 September 2003 noted the equity structure of DBE.

3. THE RISK FACTORS

In evaluating an investment in the Public Issue and Offer Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following risk factors:-

(i) **No Prior Market for DBE's Shares**

Prior to this IPO, there has been no public market for DBE's shares. There can be no assurance that an active market for DBE's shares will develop upon its listing on the Second Board of the MSEB or, if developed, that such a market will be sustained. The IPO price of RM1.20 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and condition, its prospects and the prospects of the poultry industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing economic and share market conditions at the time the application for listing of DBE was submitted to the SC. There can be no assurance that the IPO price will correspond to the price at which DBE's shares will trade on the Second Board of the MSEB upon or subsequent to its listing.

(ii) **Business Risks**

The DBE Group is subject to certain general risks inherent in the poultry industry. Factors that could adversely affect the business of the Group include, inter alia, availability of raw material for feed, rising cost of labour and feeds; availability and rising cost of financing; fluctuations in demand for chickens and poultry-related products and decrease in selling price of chicken and other poultry products.

As mentioned in Section 4.2 of this Prospectus, the DBE Group has been in the poultry industry for seventeen (17) years since 1986. Acknowledging the fact that the Group is operating in an ever-changing and competitive business environment, the Group always keeps abreast with the latest development in the industry and have taken considerable steps to minimise these business risks which include, inter alia, the following:-

- The Group is heading towards the full integration of its operations in a bid to increase competitiveness and to control the quality of products.
- The upgrading of the breeding, hatching and processing operations via renovating the existing breeding and broiler farms and introduction of new processing machinery to improve the quality of products and efficiency of operations.
- The downstream diversification into wholesaling and retail operations to enhance control over distribution channel and the price of products by selling directly to the customers.
- Upstream expansion into feedmill operations in order to control the cost, availability and quality of feeds.

Although the Group has taken considerable steps to mitigate these risks, there are other external factors that could result in the adverse developments in the economy and, particularly, the poultry industry. Hence, there is no assurance that any change in these factors will not have a material adverse impact on DBE Group's business.

3. THE RISKS FACTORS (CONT'D)

(iii) Regulatory Compliance

DBE Food Processing has relocated its food processing operations to a rented factory in a light industrial area in Taman Prima Selayang, Selangor on 18 August 2003. The slaughtering facilities of the plant in Selayang is owned by DBE Food Processing. DBE Food Processing has signed a rental agreement for a term of two years with an option to renew for another two years.

DBE Food Processing obtained its business licence from Majlis Perbandaran Selayang on 18 August 2003. The manufacturing licence was issued by the MITI on 3 October 2003.

The DBE Group had on 13 August 2003 applied to the Pejabat Pengarah Tanah dan Galian, Perak ("PPTG") to seek the PPTG's consent to change the express conditions allocated to certain lands as more particularly described below to allow the DBE Group to carry on poultry farming activities on the said lands. As at the date of this Prospectus, PPTG vide its letter dated 12 December 2003 had approved the said application.

Land Offices	Beneficial Owner	Location	Remarks
(i) Pejabat Pengarah Tanah Dan Galian, Perak	DBE Poultry	GM 1843 Lot 10750, GM 1700 Lot 10814, Mukim Belanja, Daerah Perak Tengah.	Express conditions on these land titles restrict the use of these lands to the planting of rubber.
	DBE Gurney Chicken	GM 1989 Lot 10751, HS(M) 33/86 (PT 624), HS(M) 54/76 Lot 10819, GM 1665 (Lot 10815), GM 2834 Lot 10813, GM 2021 Lot 10823, Mukim Belanja, Daerah Perak Tengah.	
(ii) Pejabat Pengarah Tanah Dan Galian, Perak	DBE Breeding	GM 3668 Lot 8015, HS(M) 272/82 Lot 11946, GM3666 Lot 5462, GM 3574 Lot 7243, GM 10605 Lot 7044, GM 10604 Lot 7317, GM 10603 Lot 5466 Mukim Sitiawan, Daerah Manjung	Express conditions on these land titles restrict the use of these lands as an orchard and to the planting of rubber, coco and palm oil.
	DBE Poultry	GM10599 Lot 7009, GRN 48340 Lot 12843, GM 489 Lot 1255, GM 3664 Lot 8336, GM 1609 Lot 1313, GM 3667 Lot 7062, GRN52054 Lot 4055, Mukim Sitiawan, Daerah Manjung	
	DBE Hatchery	GM 3665 Lot 5461 Mukim Sitiawan, Daerah Manjung	

3. THE RISKS FACTORS (CONT'D)

(iv) Diseases and Adverse Changes in Weather Condition

The poultry industry is subject to risk of diseases and adverse changes in weather condition. To mitigate this, strict hygiene and sanitation procedures are diligently practised in the Group's breeding farm to avoid occurrence of an epidemic outbreak. In the incubator and hatchery, the temperature, humidity and ventilation are carefully monitored to increase survival rate and achieve a maximum number of high quality output. The Disease Control Unit, Perak State Veterinary Department and Veterinary Research Institute had, on 13 December 2001, verified that all six (6) breeder farms and the hatchery under DBE Breeder were free from *Salmonella enteritidis*, *pullorum*, *gallinarum* and *typhimurium*.

Nonetheless, no assurance could be given that any adverse change in these factors i.e. emergence of new strain of viruses or epidemics would not have any material adverse impact on the Group's poultry farming business.

(v) Dependence on Key Personnel

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and key management. The Group will strive to continue attracting and retaining skilled personnel to support its business operation and has made efforts to train its staff and enjoyed the support of management staff with long term service.

The DBE Group is headed by an experienced, dedicated and dynamic management team with some of its key personnel having been in the industry for up to seventeen (17) years since 1986. They are trained and possess the relevant knowledge and experience for the right business opportunities, which can provide synergy and growth to the Group.

The success of the Group's business was achieved through the deliberate and careful planning of the Directors with the support of the Group's key management team.

(vi) Competitive Risk

The DBE Group faces competition from new entrants and established local players in the poultry industry. The impending trade liberalisation would mean more competition locally and internationally in view of the expected reduction in tariffs for overseas goods including livestock products. The other industry players and competitors are set out in Section 4.7.4 of this Prospectus.

Despite the apparent competition in the industry, the Directors of DBE are of the view that the high quality of products and services and long-term relationships with its suppliers and customers give the Group an edge over its competitors, particularly in Perak, and position the Group favourably in the respective markets. Details of the length of relationships with the major customers and suppliers are set out in Section 4.9 herein.

Nonetheless, no assurance could be given that any change to these factors would not have any material adverse impact on the Group's business.

3. THE RISKS FACTORS (CONT'D)

(vii) Control by Promoters

After the IPO, the Promoters, as set out in Section 5.1 of this Prospectus, and the persons connected with the Promoters will collectively control 73.92% of DBE's enlarged issued and paid up capital. As a result, these Promoters will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

(viii) Related Party Transactions/Conflict of Interests

As disclosed in Section 7 of this Prospectus, there are certain related-party transactions and/or conflict of interest situations involving the Directors, substantial shareholders and/or persons connected with the Directors or substantial shareholders and key management of DBE. The Directors, substantial shareholders and key management of DBE have given an undertaking that all business transactions between the DBE Group and the Directors, substantial shareholders and key management and their related persons, shall be on arms length basis and on usual and standard commercial terms and shall not be disadvantageous to the DBE Group.

None of the Directors and substantial shareholders of DBE has interests in companies carrying on similar businesses as the DBE Group.

(ix) Sensitivity to Political and Economic Risks

The poultry industry is not sensitive to the economic downturn and political instability as it is primarily reliant on consumer demand. Nonetheless, the business is subject to certain risks arising from changes in legal, financial and environmental framework within which the industry operates such as increase in credit and interest rate risks etc. Adverse developments in political, economic and regulatory conditions in Malaysia could materially and adversely affect the financial prospects of the Group. Political and economic uncertainties include (but are not limited to) changes in both monetary and fiscal policies, risks of war, expropriation, nationalisation and methods of taxation and currency exchange controls.

(x) Achievability of Estimates and Forecasts

The Prospectus contains certain estimates and forecasts 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 estimates and forecasts to be reasonable. Because of the inherent uncertainties of the estimates and forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecasts 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 forecasts that are contained herein. Save as disclosed in the Section 3 of this Prospectus, to the best knowledge of the Directors, the Group is not vulnerable to any other major specific risk factors or events.

(xi) Disclosure Regarding Forward-Looking Statements

The Prospectus contains certain forward-looking statements i.e. those other than statements of historical facts. Although the Group believes that the expectations reflected in such statements are reasonable at this time, there can be no assurance that such expectations will prove to be correct and may not be materially different from the Groups' actual performance and plans.

3. THE RISKS FACTORS (CONT'D)

(xii) **Financial Risks**

Borrowings

Save as disclosed in Section 9.4 of this Prospectus, as at 15 December 2003 (being the latest practicable date prior to the issuance of the Prospectus), the Group does not have any other borrowings and indebtedness in the form of borrowings, including bank overdraft and liabilities under acceptances, hire purchase or commitments or guarantees.

Some of the Group's working capital requirements are met partially by borrowings and internally generated funds. Given that the Group has borrowings and the payment of the loan interest is dependent on interest rate, future fluctuations of the interest rate could have material effects on the Group's interest and principal repayment.

Restrictive Covenants

Pursuant to credit facility agreements entered into by DBE with banks or financiers, it is bound by certain positive and negative covenants which may limit DBE's operating and financial flexibility. The aforesaid covenants are of a nature which is commonly contained in credit facility agreements in Malaysia. Any act by DBE falling within the ambit or scope of such covenants will require the consent of the relevant bank/ financier. Breach of such covenants may give rise to a right by the bank/ financier to terminate the relevant credit facility and/ or enforce any security granted in relation to that credit facility. The Board of Directors are aware of such covenants and shall take all precautions necessary to prevent any such breach.

Material Commitment

Save as disclosed in Section 9.4(iv), the DBE Group does not have any material commitment, which may have a substantial impact on the result or the financial position of the Group.

(xiii) **Dependence on Major Suppliers**

As shown in Section 4.9 of this Prospectus, DBE Group is not solely dependent on any of the major suppliers of raw materials, such as corns and soyabean, for feedmill and the suppliers of breeders and broilers as the Group has established a wide network of such suppliers.

The Group adopts various measures to minimise risk of dependency on certain suppliers as follows: -

- The Group sources its supply of breeders from more than one (1) supplier as set out in Section 4.9 of this Prospectus;
- The Group also sources its supply of raw materials for its feedmill operations from more than one (1) supplier as set out in Section 4.9 of this Prospectus;
- The Group established a wide network of suppliers through market selection; and
- The upstream expansion into feedmill operations has ensured continuous supply of feeds, whilst reducing substantially dependency on its major suppliers of feeds.

(xiv) **Insurance coverage on assets**

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operation. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets and development projects on a continuous basis. As at 15 December 2003 (being the latest practicable date prior to the printing of this Prospectus), the Group's insurance coverage for the Group's assets total at RM67.27 million.

3. THE RISKS FACTORS (CONT'D)

(xv) Dependence on Particular Markets and Geographical Locations

The Group is not overly dependent on any particular markets and geographical locations as the Group has progressively sourced for more business opportunities through downstream and upstream expansion and diversification plans. This can be evidenced from the Group's downstream diversification into wholesaling via its wholesale/retail outlets as well as its upstream expansion into feedmill operations in 2002. The Group has four (4) wholesale and retail outlets located in Seri Manjung, Perak (1 outlet), Klang Valley (2 outlets) and Bukit Mertajam, Penang (1 outlet).

The Group's expansion and diversification plans are to ensure stable and broad-based stream of revenues for the Group.

(xvi) Material Litigations

As at 15 December 2003 (being the latest practicable date prior to the printing of this Prospectus), the DBE Group is not engaged either as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of the DBE Group and the Directors 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 DBE and its subsidiaries.

(xvii) Government control or regulation

The main legislation governing the poultry industry is the Price Control Order, 1974 under the Control Supplies Act, 1961 and the Trade Description Act, 1972 under the ambit of the Ministry of Domestic Trade and Consumer. Under the Control Supplies Act, 1961, the Government has classified the sale of broilers as a controlled item.

The rearing of broilers is also regulated by the Department of Veterinary Services. Antibiotic and vaccination dosage are controlled by the Veterinary Research Institute.

The Group's feedmill is subject to regulations under the Factories and Machinery Act, 1967, whereby the Department of Occupational Safety and Health would normally conduct annual inspections of the feedmill's machinery. The feedmill is also subject to annual inspection of its fire fighting equipment and fire safety procedures by the Fire Service Department and random checks by the Department of Environment.

The Group's feedmill and two-storey office building located at Plots 137 & 138, Kawasan Perindustrian Pelabuhan Lumut, Kampung Acheh, 32000 Sitiawan, Perak Darul Ridzuan has been issued with a Certificate of Fitness on 28 February 2002 and is subject to the rules and regulations under the Uniform Building By-Laws 1984.

The feedmill, which was granted a manufacturing licence by the MITI effective from 20 September 2001, is also subject to the conditions attached to the licence. The feedmill is subject to the rules and regulations of Majlis Perbandaran Manjung.

The Group's processing plant in Selayang is subject to regulations under the Factories and Machinery Act, 1967, whereby the Department of Occupational Safety and Health would normally conduct annual inspections of the processing plant's machinery. The processing plant is also subject to annual inspection of its fire fighting equipment and fire safety procedures by the Fire Service Department.

The Group's processing plant is also subject to the rules and regulations of Majlis Perbandaran Selayang. DBE Food Processing obtained its business licence from Majlis Perbandaran Selayang on 18 August 2003. The manufacturing licence was issued by the MITI on 3 October 2003.

3. THE RISKS FACTORS (CONT'D)

The Group's 'halal' certificate from the Jabatan Agama Islam Selangor, which is valid until 4 November 2003 and is renewable annually, is subject to the rules and regulations of the Jabatan Agama Islam Selangor. The Jabatan Agama Islam Selangor by its letter dated 17 November 2003 had approved the renewal of the 'halal' certificate.

(xviii) **Investing In a new or relatively new venture if the corporation has no operating history or its history is limited**

DBE has been in its core business for the past 17 years since 1986. DBE Poultry has commenced its feedmill operations in 2002. Although this is a relatively new venture of the Group in feedmill operations, the Group employs experienced personnel who had previous experience in other feedmills prior to joining the Group.

(xix) **Lengthy sales cycles or seasonal sales**

As poultry is a commodity item, it does not have any distinguishable sales or seasonal cycles. However, as it is consumed by various races in Malaysia, it is subject to seasonal peaks during festivities such as Chinese New Year, Hari Raya and Deepavali celebrations and also during school holidays.

During these peak periods, the broiler farmers commonly increase their production of broilers in advance in anticipation of large orders. Indirectly, this will only bode well for DBE Poultry as the increased consumption of poultry meat will result in a greater demand for its broilers.

(xx) **Foreign operations which may include currency fluctuations, trade restrictions, sovereignty, political and economic risks**

The Group purchases its raw materials, such as corn and soyabean meal, mainly from local importers. Although the local importers for these raw materials transacts in USD, the DBE Group presently is not significantly affected by fluctuations in foreign exchange because of the fixed pegging of Ringgit to USD. However, there can be no assurance that the currency controls will remain and that future exchange fluctuations arising from lifting of the currency controls or the adjustment of the RM to USD peg will not adversely affect the financial results of the Group.

(xxi) **Security and system disruptions**

The Group has not experienced any security and system disruptions in business that had any significant effect on its operations. Should the Group encounter any problems with their automatic system, they can easily switch to manual operation which would still ensure continuous production.

(xxii) **Breakout of fire, energy crisis and other emergency risks which could jeopardise the corporation's operations**

The Group has not experienced any fire breakouts, energy crisis and any other emergency risks which could jeopardise the Group's operations. DBE has sprinklers, fire extinguishers for fire hazard and has standby generators for each farm in case of energy crisis. Also, the broiler farm houses have raised platforms and efficient drainage in case of flood. Moreover, the impact of any disaster or perils will be contained and mitigated due to the widespread locations of the farms. In addition, the Group adheres to strict farm management measures especially on sanitation, maintenance of machines and farms thereby reducing the risk of perils.

3. THE RISKS FACTORS (CONT'D)

(xxiii) Rapid or over-expansion of a corporation's business or rapid development of technological change

Although the industry in which the Group is involved in is less sensitive to rapid developments of technological change, the Group acknowledges the said risks and is continuously exploring areas of technological improvement, ensuring that staff are continuously trained to align their skills with the requirements of new technologies. Details of the technology used in the Group's operations are set out in Section 4.5.3 of this Prospectus.

(xxiv) Technology used

The Group uses automated equipment and mechanization to increase production and improve the quality of its products. These includes closed houses equipped with evaporative cooling system and automatic feeders and drinkers, fully computerised feed production machinery and semi automatic processing machinery. The risks associated with such automated equipment are the occasional disruption of electrical supply as well as the occasional breakdown.

To mitigate these risks, the Group has back up generators on standby and will be automatically activated once there is a disruption in electricity supply. The curtains to the closed house system will be automatically dropped to ventilate the closed house. The Group also has periodic preventive maintenance checks on all its equipment as well as maintaining sufficient stock of spare parts and tools. There are also full time technicians at the farms and feedmill, trained by the equipment supplier to maintain the equipment. The Group maintains close relationship with its equipment suppliers to ensure that timely and efficient services are provided once there are breakdowns in the equipment.

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