
7. CONFLICT OF INTERESTS

7.1 Interest in Similar Business

Save as disclosed below, none of the Directors or substantial shareholders of D&O and its subsidiaries has any interest, direct or indirect, in any business carrying on a similar trade as the Company or its subsidiaries:

Tay Kheng Chiong, who is the Group Managing Director and shareholder of D&O as well as a Director of Omega, is a Director and shareholder of Dominant. Dr Lim Thian Soo, who is a Non-Independent Non-Executive Director and substantial shareholder of D&O, is also a Director and shareholder of Dominant. Lai Kin Shin and Low Tek Beng, who are the alternate Directors of D&O, are also the Directors and shareholders of Dominant. Lim Thiam Cheok, Lim Yam Poh and Lim Yam Chiew, who are deemed substantial shareholders of D&O, are also shareholders/deemed shareholders of Dominant. The substantial shareholders of Omega are also deemed shareholders of Dominant.

Dominant is principally involved in the manufacturing of surface-mount-technique LEDs. Although Dominant is involved in the semiconductor industry, the Directors of D&O believe that Dominant is not in competition with the D&O Group in that the company manufactures LEDs for different end-user applications, such as handphones and automotives interior lightings. The D&O Group, which manufactures LEDs using the conventional through hole technique, focuses on LEDs with end-user applications in traffic lights and outdoor display signboards. In addition, Dominant targets a different market segment of the semiconductor industry from the D&O Group. Unlike Omega, Dominant mainly markets its products directly to its customers under Dominant's name, whilst Omega is principally engaged in the provision of a full range of contract manufacturing services for the manufacture of semiconductor components which are supplied mainly to MNCs engaged in the manufacture of semiconductor products.

Given its existing production facilities, Dominant is unable to venture into the business segment currently served by Omega, and vice-versa. This is due to the wide differences in the production machinery and equipment employed by both companies to manufacture the different product spectrum offered by both companies. In the event Omega decides to venture into Dominant's business segment, it would require significant capital expenditure to revamp its production machinery and equipment. The same is also true for Dominant. The Directors of D&O are of the view that the possibility of the Group competing in the same market as Dominant is remote.

Nevertheless, to mitigate any potential conflict of interest situation that may arise in the future, Dominant has given a written undertaking to Omega that it will not engage in any businesses that will be in direct competition with the D&O Group.

Further information on Dominant is provided in Section 7.2.2 herein.

7.2 Related Party Transactions

7.2.1 Transactions between the D&O Group and the Directors and/or Substantial Shareholders and/or Persons Connected to Them

Save for the transaction pursuant to the restructuring exercise undertaken to facilitate the listing of D&O on the Second Board of Bursa Securities as disclosed in Section 4.3 of this Prospectus and those as disclosed below, there are no other on-going related party transactions and/or conflict of interests between the D&O Group and its Directors, substantial shareholders and/or persons connected with such a director or substantial shareholder, as defined under Section 122A of the Act:

7. CONFLICT OF INTERESTS (Cont'd)

- (a) The Group purchases packaging material, namely carton boxes, from Hexachase Packaging Sdn Bhd ("HPSB"). Cheam Dau Peng, the Executive Director of D&O and Omega, is deemed to have 51% equity interest in HPSB by virtue of his substantial shareholding in Hexachase Corporation Sdn Bhd ("HCSB"). Dr Lim Thian Soo, a Director and shareholder of D&O, is deemed to have 51% equity interest in HPSB by virtue of his indirect substantial shareholding in HCSB. Goh Nan Yang, a Director and shareholder of D&O, is also a Director of HCSB. Lim Thiam Cheok and Lim Yam Poh, deemed substantial shareholders of D&O, are deemed to have 51% equity interest in HPSB by virtue of his/her indirect substantial shareholding in HCSB. The purchases of packaging material amounted to RM364,017 and RM261,797 for the financial year/period ended 31 December 2003 and 31 July 2004 respectively; and
- (b) The Group purchases printing material, namely ribbon, stickers and labels from Hexachase Labels Sdn Bhd ("HLSB"). Cheam Dau Peng, the Executive Director of D&O and Omega, is also a Director of HLSB, which is a 90% subsidiary of HCSB. Dr Lim Thian Soo, a Director and shareholder of D&O, is deemed a substantial shareholder of HLSB by virtue of his indirect substantial shareholding in HCSB. Lim Thiam Cheok and Lim Yam Poh, deemed substantial shareholders of D&O, are deemed substantial shareholders of HLSB by virtue of his/her indirect substantial shareholding in HCSB. The purchases of printing material amounted to RM85,975 and RM124,460 for the financial year/period ended 31 December 2003 and 31 July 2004 respectively.

7.2.2 Relationship between the D&O Group and Dominant

Tay Kheng Chiong, who is the Group Managing Director and shareholder of D&O as well as a Director of Omega, is a Director and shareholder of Dominant. Dr Lim Thian Soo, who is a Non-Independent Non-Executive Director and substantial shareholder of D&O, is also a Director and shareholder of Dominant. Lai Kin Shin and Low Tek Beng, who are the alternate Directors of D&O, are also the Directors and shareholders of Dominant. Lim Thiam Cheok, Lim Yam Poh and Lim Yam Chiew, who are deemed substantial shareholders of D&O, are also shareholders/deemed shareholders of Dominant. The substantial shareholders of Omega are also deemed shareholders of Dominant.

7.2.2.1 Information on Dominant

(a) History, Principal Activities and Business Prospect

Dominant was incorporated on 28 November 2000 in Malaysia under the Act as a private limited company. The company is principally involved in the design, development, assembly and testing of opto-semiconductor products. The main products manufactured by Dominant are surface-mount LEDs. Surface-mount technology is widely used as it provides high speed mounting capability onto the printed circuit boards. The applications for the company's products include LED flashlights, keypad backlighting and Liquid Crystal Display backlighting for handphones, backlighting for automotive dashboards, audio/video systems for automobiles as well as LED components in indoor displays. The key markets for these products are, amongst others, handphones, automotive components, display boards, traffic signals, and household lighting.

Dominant has filed for registration nine (9) patents in respect of package design in Malaysia, USA and Germany which are currently being examined by the respective patent offices. These designs are mainly focused on two (2) key application segments, namely high power and compact designs. These designs are expected to enhance Dominant's ability to launch new innovative products in the future. The company has been granted pioneer status for five (5) years. For the past three (3) years, Dominant has focused on promoting its products to the international market and penetrated new markets, such as South Korea, Europe and China.

7. CONFLICT OF INTERESTS (Cont'd)

Dominant will continue to concentrate and expand on its core competencies in product and design development for surface-mount LEDs in the foreseeable future. The company will also continue to be active in R&D and aims to consolidate its position as the premier solution provider for opto packaging. The Directors of Dominant believe that the business prospect of Dominant is bright in view of the wide range of applications and the growth potential of the LED market.

(b) Share Capital

As at 15 October 2004, the authorised share capital of Dominant is RM50,000,000 comprising 25,000,000 ordinary shares of RM1.00 each and 25,000,000 redeemable convertible preference shares of RM1.00 each. The issued and paid-up capital of Dominant is RM34,320,000 comprising 22,300,000 ordinary shares of RM1.00 each and 22,000,000 RCPS which are partially paid-up.

(c) Directors and Shareholders

The Directors of Dominant are Dr Lim Thian Soo, Tay Kheng Chiong, Low Tek Beng and Lai Kin Shin. The shareholders of Dominant and their respective shareholding in Dominant as at 15 October 2004, based on the Register of Members are as follows:

Shareholders	No. of shares	%
Ordinary shares of RM1.00 each:		
Rubber Thread Industries (M) Sdn Berhad	3,400,000	15.25
Chin Bee & Sons Sdn Bhd	2,000,000	8.97
Golden Horizon Resources Limited	6,000,000	26.91
Thames Electronics Sdn Bhd	7,700,000	34.53
Low Tek Beng	50,000	0.22
Lai Kin Shin	50,000	0.22
Tay Kheng Chiong	100,000	0.45
Dr Lim Thian Soo	1,000,000	4.48
Lim Thiam Cheok	1,000,000	4.48
Kam Chooi Suan	1,000,000	4.48
	<u>22,300,000</u>	<u>100.00</u>
RCPS of RM1.00 each:		
Omega	<u>*22,000,000</u>	<u>100.00</u>

* *These shares were partially paid-up*

7. CONFLICT OF INTERESTS (Cont'd)

(d) Profit and Dividend Record

The audited profit and dividend record of Dominant for the past three (3) financial years ended 31 December 2001 to 31 December 2003 are summarised as follows:

	Financial years ended 31 December		
	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	314	12,719	30,264
Profit/(loss) before tax	(5,086)	(2,541)	170
Taxation	-	-	-
Profit/(loss) after tax	(5,086)	(2,541)	170
Weighted average no. of ordinary shares in issue	1,111	13,689	19,949
Gross (loss) per share/EPS (RM)	(4.58)	(0.19)	0.01
Net (loss) per share/EPS (RM)	(4.58)	(0.19)	0.01
NTA	7,114	9,473	23,863
NTA per share	0.58	0.55	1.07
Gross dividend rate (%)	-	-	-

(e) Patent Infringement Complaint Against Dominant

OSRAM GmbH of Munich, Germany and OSRAM Opto Semiconductors GmbH of Regensburg, Germany ("OSRAM") had filed a complaint on 6 May 2004 against Dominant with the United States International Trade Commission ("ITC") alleging that Dominant had infringed OSRAM's LED technology patents.

On 10 June 2004, the ITC instituted an investigation based on the complaint and it is still at the discovery stage where the ITC has yet to make any decision. The ITC hearing is scheduled for December 2004. There has since been no further development. Dominant contends that it has not infringed upon OSRAM's patents and has engaged legal advisors in the US to handle the complaint. Dominant believes that its distinctive component design features do not infringe Osram's patents.

The management of Dominant believes that the complaint made against Dominant would not have any material financial effect as the total sales to the US amounted to approximately USD34,000, representing 0.4% of the company's total revenue for the financial year ended 31 December 2003. Furthermore, the complaint made against Dominant was in respect of a small fraction, i.e. three (3) of Dominant's product lines. Dominant currently offers more than twenty-five (25) product lines.

The major export markets of Dominant are currently in the Asia Pacific region. The management of Dominant is optimistic of a huge potential from the Asian market and expects that the company will grow its business to meet the demand in the Asian market for the foreseeable future.

7.2.2.2 Transactions between the D&O Group and Dominant

Save as disclosed below, there are no other on-going or potential related party transactions and/or conflict of interests between the D&O Group and Dominant:

- (a) Acquisition by Omega of machinery from Dominant amounted to approximately RM8.0 million for the financial year ended 31 December 2003;

7. CONFLICT OF INTERESTS (Cont'd)

- (b) Unquoted investment by Omega in 22,000,000 5% redeemable convertible preference shares ("RCPS") of RM1.00 each in Dominant at an issue price of RM1.00 per RCPS. The RCPS were issued as partly paid-up shares, of which approximately RM0.55 per RCPS amounting to RM12,020,000 has been called and paid by Omega as at 15 October 2004. Further details on the salient terms of the RCPS are set out in Section 7.2.2.4 of this Prospectus;
- (c) Monthly rental of approximately RM30,000 paid or to be paid by Dominant to Omega for occupying portion of the office space at Lot 6, Batu Berendam Free Trade Zone Phase III, Batu Berendam, 75350 Melaka for a tenancy period of five (5) years commencing from January 2004;
- (d) Provision of die sorting services to Dominant which include the purchase of dice amounted to approximately RM1.8 million for the seven (7)-month financial period ended 31 July 2004; and
- (e) Provision of OEM assembly service for the infrared LED to Dominant amounted to approximately RM27,000 for the seven (7)-month financial period ended 31 July 2004.

The Directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms that are not more favourable than those generally available to the public and are conducted on an arm's length basis.

The Company undertakes that all future transactions between the D&O Group and other companies related to the substantial shareholders and Directors of the D&O Group must be on an arm's length basis and must not be unfavourable to the D&O Group, all related party transactions must be subject to review by the Audit Committee, and the Directors of D&O are required to report such transactions in the Annual Report.

There are no existing or potential related party transactions between the D&O Group and its key management personnel.

7.2.2.3 Rationale for the subscription by Omega of the RCPS in Dominant

The Directors of Omega believe that the investment in Dominant provides an opportunity for Omega to combine the technical know-how and manufacturing capabilities of both companies, which will further strengthen the D&O Group's position as a "One-Stop" service provider via a wider and more complete range of product offerings to its customers. It also allows both companies to leverage on each other's technical capabilities and promotes collaboration on R&D activities, in particular on new product innovation, process improvement and machinery modification and upgrading.

7.2.2.4 Salient terms of RCPS in Dominant

The salient terms of the RCPS in Dominant are set out below:

- (a) Par Value : RM1.00 per RCPS.
- (b) Issue Price : RM1.00 per RCPS.
- (c) Ranking : The RCPS shall rank behind all secured and unsecured obligations of Dominant. Upon liquidation or otherwise, the RCPS will rank in priority to the ordinary shares of Dominant in respect of the return of the capital paid up thereon and any accrued preferential dividend calculated down to the date of payment but to no further or other right to share in surplus assets.

7. CONFLICT OF INTERESTS (Cont'd)

- (d) Dividend : The RCPS shall carry the right to a non-cumulative preferential dividend at the rate of 5% per annum on the capital paid up on the RCPS, such dividend to be applied out of the profits of Dominant which it shall from time to time resolve to distribute in respect of any period for which Dominant's accounts are made up. Save for the above, the RCPS shall have no further right to participate in the profits of Dominant. The payment of the preferential dividend if any shall be made to each holder of RCPS on the Maturity Date.
- (e) Right to attend meeting and vote : A holder of the RCPS shall have the right to attend all general meetings of Dominant but shall have no right to vote thereat except in any of the following events, namely:
- (i) if any resolution to reduce Dominant's share capital is proposed;
 - (ii) if any resolution for the disposal of the whole of Dominant's property, business and undertaking is proposed;
 - (iii) if any resolution that affects the rights attached to the preference shares is proposed;
 - (iv) if any resolution for the winding up of Dominant is proposed, and then only on such resolution; or
 - (v) at any time during the winding up of Dominant.
- (f) Receipt of notices : A holder of RCPS shall have the same right as that of the holder of ordinary shares to receive notices, reports and audited accounts of Dominant.
- (g) Maturity Date : The date falling on the third (3rd) anniversary date of the issue date of the RCPS.
- (h) Conversion Right : The RCPS shall entitle a holder thereof the right to convert the RCPS into fully paid-up New Shares at the Conversion Ratio at any time during the Conversion Period. Provided that upon such conversion all dividend accrued on such RCPS shall be waived by the holder of such RCPS and the accrued dividend shall cease to be owing by Dominant to such holder in consideration of the conversion. Any RCPS not converted into ordinary shares by the expiration of the Conversion Period shall be redeemed by Dominant on the maturity Date.
- (i) Conversion Ratio : Every one (1) RCPS (provided that the same is fully paid) together with an additional sum of RM2.00 shall be convertible into one (1) New Share credited as fully paid.
- (j) Conversion Period : The period commencing on and including the first anniversary date of the issue date of the RCPS until and including the day immediately preceding the Maturity Date.
- (k) New Shares : Ordinary shares of nominal value of RM1.00 each in Dominant.

7. CONFLICT OF INTERESTS (Cont'd)

- (1) **Status of New Shares to be issued pursuant to conversion of RCPS** : The New Shares to be issued upon conversion of the RCPS shall upon allotment and issue rank *pari passu* in all respects with the then existing ordinary shares of Dominant except that they shall not be entitled to any dividend that may be declared prior to the date of allotment and issue thereof, nor shall they be entitled to any distributions or such entitlements for which the record date is prior to the allotment and issue of such New Shares.

7.2.3 Promotion of Assets

Save as disclosed in Section 4.3 of this Prospectus, none of the Directors or substantial shareholders has any interest, direct or indirect, in the promotion of any material assets acquired or proposed to be acquired or material assets disposed of or proposed to be disposed of by the Company or its subsidiaries within the two (2) years preceding the date of this Prospectus.

7.2.4 Related Parties Loan

As at 15 October 2004, there are no outstanding loans or guarantees made by the Group for the benefit of any related parties.

7.3 Declaration by Experts

Hwang-DBS as the Adviser, Managing Underwriter, Underwriter and Placement Agent is not aware of any existing or potential interest or any circumstances which would give rise to a conflict of interest in their advisory capacity to D&O in respect of the Public Issue.

Messrs WY Chan & Roy is not aware of any existing or potential interest or any circumstances which would give rise to a conflict of interest in their capacity as the Solicitors to D&O in respect of the Public Issue.

Messrs Horwath is not aware of any existing or potential interest or any circumstances which would give rise to a conflict of interest in their capacity as Auditors and Reporting Accountants to D&O in respect of the Public Issue.

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8. OTHER INFORMATION CONCERNING THE GROUP

8.1 Licenses and Permits

The licenses and permits held by the Group which are required for the purposes of conducting its business are listed below:

License/Permit	Authority	License No./ Serial No.	Date of issue	Equity and Other Material Conditions Imposed	Company	Status of Compliance
Manufacturing license issued under Industrial Co-ordination Act, 1975, for the manufacture of integrated circuits and transistors for Plant 1	Malaysia Industrial Development Authority (MIDA)	- License No.: A009206 - Serial No.: A021947	26.04.1994 The license does not specify the expiry date of license	<ol style="list-style-type: none"> The Company has been exempted from complying with any equity conditions. MIDA has to be informed should the Company's shareholders' fund attain RM2.5 million. All ordinary shares of the Company that are held by foreigners cannot be disposed of without prior written approval from MIDA. The composition of the Board of Company should reflect the equity structure of the Company. MIDA has to be informed of subsequent new appointments and any change to the Board. Written approval of MIDA must be obtained prior to the execution of any agreements for technology transfer with foreign parties. Such agreements include joint venture agreements, technical assistance and know-how agreements, license agreements, trademark and patent agreements, turnkey contract agreements and management agreements. Omega must, as far as possible, appoint companies owned by Malaysian citizens to distribute its products and must appoint Bumiputera distributors to distribute at least 30% of its sales in Malaysia. The appointment of foreign companies as distributors can only be made with the prior approval of MIDA. 	Omega	Complied
						Complied
						Complied
						Complied
						Not applicable

8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

License/Permit	Authority	License No./ Serial No.	Date of issue	Equity and Other Material Conditions Imposed	Company	Status of Compliance
Permit issued under Poison Ordinance, 1952 for the purchase, store and use of sodium hydroxide	Ministry of Health	- Permit No.: 008071 - Register No.: MP053/2004	01.01.2004 to 31.12.2004	None	Omega	-
License issued under Akta Perlesenan Tenaga Atom, 1984 for the purchase, own, transfer, store, use and export/import x-ray machine	Lembaga Perlesenan Tenaga Atom (LPTA)	- License No.: LPTA/A/904 - Serial No.: 006315	From 15.07.2004 to 14.07.2007	None	Omega	-
License issued under Local Government Act, 1976 and Enakmen Hiburan Dan Tempat-tempat Hiburan 2001) for the business operation at Lot 6, 8726 Batu Berendam FTZ, Phase III 75350 Melaka	Majlis Bandarang Melaka Bersejarah	License No.: 4-097-05753-0199	Valid until 31.12.2004	None	Omega	-
License issued under Local Government Act, 1976 and Enakmen Hiburan Dan Tempat-tempat Hiburan 2001) for the business operation at Lot 8, 8760 Batu Berendam FTZ, Phase III 75350 Melaka	Majlis Bandarang Melaka Bersejarah	License No.: 4-097-02989-0194	Valid until 31.12.2004	None	Omega	-

8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

8.2 Properties

The details of the properties of the D&O Group as at the date of this Prospectus are set out below:

Location	Description/ Existing use	Land area (sq. ft.)	Built-up area (sq. ft.)	Approximate age of building (year)	Date of issuance of certificate of fitness	Tenure/ Date of Expiry of Leasehold/ Land	Audited NBV as at 31.07.2004 (RM)	Restriction in interest	Encumbrances on property
1. HS(D) 21091, PT 4623 Mukim Bachang Daerah Melaka Tengah, Melaka <i>Postal address:</i> Lot 6, 8726, Batu Berendam FTZ Phase 3, Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	231,862	189,686	14 years	27.08.1990	99 years leasehold/ Expiring on 16.02.2091	6,990,871	The property cannot be transferred or leased without the prior approval of State authority	Charged to United Overseas Bank (Malaysia) Berhad
2. HS(D) 30783, PT 4748 Mukim Bachang Daerah Melaka Tengah, Melaka <i>Postal address:</i> Lot 3, 8756, Batu Berendam FTZ Phase 3, Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	24,510	19,021	11 years	20.05.1993	99 years leasehold/ Expiring on 17.09.2094	900,234	The property cannot be transferred or leased without the prior approval of State authority	Charged to United Overseas Bank (Malaysia) Berhad

8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

Location	Description/ Existing use	Land area (sq. ft.)	Built-up area (sq. ft.)	Approximate age of building (year)	Date of issuance of certificate of fitness	Tenure/ Date of Expiry of Leasehold Land	Audited NBV as at 31.07.2004 (RM)	Restriction in interest	Encumbrances on property
3. HS(D) 30784, PT 4749 Mukim Bachang Daerah Melaka Tengah, Melaka <i>Postal address:</i> Lot 4, 8758, Batu Berendam FTZ Phase 3, Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	31,733	27,433	11 years	20.05.1993	99 years leasehold/ Expiring on 17.09.2094	1,060,100	The property cannot be transferred or leased without the prior approval of State authority	Charged to United Overseas Bank (Malaysia) Berhad
4. HS(D) 30785, PT 4750 Mukim Bachang Daerah Melaka Tengah, Melaka <i>Postal address:</i> Lot 8, 8760, Batu Berendam FTZ Phase 3, Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	24,575	25,374	11 years	20.05.1993	99 years leasehold/ Expiring on 17.09.2094	871,313	The property cannot be transferred or leased without the prior approval of State authority	Charged to United Overseas Bank (Malaysia) Berhad

8. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

Location	Description/ Existing use	Land area (sq. ft.)	Built-up area (sq. ft.)	Approximate age of building (year)	Date of issuance of certificate of fitness	Tenure/ Date of Expiry of Leasehold/ Land	Audited NBV as at 31.07.2004 (RM)	Restriction in interest	Encumbrances on property
5. HS(D) 30786, PT 4751 Mukim Bachang Daerah Melaka Tengah, Melaka	One (1) block of double storey factory cum office premise. Renovation and construction work in progress	16,631	19,215	11 years	20.05.1993	99 years leasehold/ Expiring on 17.9.2094	652,394	The property cannot be transferred or leased without the prior approval of State authority	Nil
<i>Postal address:</i> Lot 7, 8762, Batu Berendam FTZ Phase 3, Batu Berendam 75350 Melaka*	Bungalow- Company house@	9,722	5,021	12 years*	-	Freehold	284,128	Nil	Nil

Postal address:
4690-C, Taman Devadason
Batu Berendam
75350 Melaka

Notes:

1. All the above properties are registered under the name of Omega.
* Pursuant to a sale and purchase agreement dated 13 October 2003, Omega purchased this property from Malaysian Industrial Estates Berhad for a cash consideration of RM670,000.
- # The certificate of fitness for the property could not be located when it was purchased by Omega from the previous owner in 2000. Omega had checked with Majlis Bandaraya Melaka Bersejarah but it was not able to provide such information. The previous owner had verbally confirmed that the approximate age of the building is 12 years.
- @ On 8 October 2004, Omega entered into a sale and purchase agreement to dispose of this property to third parties for a cash consideration of RM500,000. The disposal is expected to be completed in January 2005.

9. FINANCIAL INFORMATION

9.1 Historical Financial Information

The following is a summary of the proforma consolidated results of the D&O Group for the past five (5) financial years ended 31 December 1999 to 31 December 2003 and the seven (7)-month period ended 31 July 2004, and are provided for illustration purposes based on the audited financial statements of the subsidiaries of D&O, prepared on the assumption that the existing group structure of D&O has been in existence throughout the financial years/period under review:

	<----- Financial Years ended 31 December ----->					7-month ended
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	31.07.2004 RM'000
Revenue	10,570	18,893	27,326	40,328	69,192	56,862
EBITDA	1,817	2,272	6,252	9,221	13,018	13,466
Interest expense	(279)	(278)	(494)	(619)	(773)	(554)
Interest income	67	56	65	185	206	-
Depreciation	(397)	(528)	(907)	(1,257)	(2,582)	(2,604)
Amortisation	(122)	(537)	(657)	(538)	(125)	(2)
PBT	1,086	985	4,259	6,992	9,744	10,306
Taxation	-	-	(969)	(636)	(500)	(808)
PAT	1,086	985	3,290	6,356	9,244	9,498
Minority interest	-	-	-	-	-	- [#]
Profit attributable to shareholders	1,086	985	3,290	6,356	9,244	9,498
Weighted average number of shares in issue ('000)	206,308	217,418	297,250	348,052	402,784	481,728
Gross EPS (sen) ³	0.5	0.5	1.4	2.0	2.4	2.1 [^]
Net EPS (sen) ⁴	0.5	0.5	1.1	1.8	2.3	2.0 [^]

Notes:

- # Share of loss by minority interest in OPPB of RM49, OPPB is a 51% subsidiary of OSTB
- ^ The gross EPS and net EPS were computed by dividing the PBT and PAT respectively for the seven (7)-month period ended 31 July 2004 by the weighted average number of ordinary shares in issue during the period. The gross EPS and net EPS computed were not annualised
- The proforma consolidated income statements are prepared for illustrative purposes only and are prepared based on the audited financial statements of Omega and OSTB for the financial years/period under review. The proforma consolidated income statements for the financial years/period under review have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of the D&O Group
 - There were no exceptional or extraordinary items and share of profits/losses from associated company and joint ventures during the financial years/period under review
 - Gross EPS has been calculated based on PBT and the weighted average number of ordinary shares in issue
 - Net EPS has been calculated based on PAT and the weighted average number of ordinary shares in issue

Further details on the Group's historical performance are set out in Section 10 of this Prospectus.

9. FINANCIAL INFORMATION (Cont'd)

9.2 Segmental Analysis of Financial Information

	<----- Years ended 31 December ----->					7-month ended 31 July 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Revenue from:						
Discrete products	4,643	7,373	9,896	8,404	20,171	11,019
Opto products	5,926	11,520	17,225	30,684	44,877	40,405
Others	1	-	205	1,240	4,144	5,438
	<u>10,570</u>	<u>18,893</u>	<u>27,326</u>	<u>40,328</u>	<u>69,192</u>	<u>56,862</u>

In 1999, the Group recorded an increase in revenue by approximately RM3.8 million, representing an increase of 55.3% as compared to 1998. The increase in revenue was mainly attributed to Omega's procurement of a new contract to operate a new Opto Line to produce LED lamps on a subcontract basis, and an increase in sales to a customer as a result of the transfer of its production line for Transistor Outline-3 ("TO-3") to Omega. In addition, the increased orders for Discrete Metal Can during the year also contributed to the increase in the Group revenue. The LED lamps contributed approximately RM2.2 million to the revenue in 1999. No provision for tax was made for the financial year 1999 as this year falls in the year of assessment 2000, where tax on income earned was waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1999.

In 2000, the Group recorded an increase in revenue by approximately RM8.3 million, representing an increase of 78.7% as compared to 1999, mainly attributed to the increase in orders for Discrete Metal Can and LED lamps. Sale of LED lamps increased by approximately RM5.5 million, representing an increase of 251.1% as compared to the preceding year. The improvement was mainly because it was the first full financial year of production of the said products. Despite the increase in revenue, PBT decreased by 9.3% to approximately RM985,000 for the financial year ended 31 December 2000 due mainly to amortisation of deferred expenditure. There was no tax charge for 2000 despite the profit achieved due to the availability of reinvestment allowances and utilisation of unabsorbed capital allowances brought forward from prior years.

The revenue of the Group increased further by approximately 44.6% or RM8.4 million in 2001 mainly due to a substantial increase in the orders for TO-3 and LED lamps from the Group's major customers, amounting to approximately RM22.9 million. The Group also recorded an improvement in gross margin in 2001. The said increase was mainly attributed to an increase in the average selling prices of LED lamps because of value-added services rendered by Omega. As a result of the higher revenue and gross profit, PBT improved to RM4.3 million in 2001. The effective tax rate was lower than the statutory tax rate mainly due to availability of reinvestment allowances.

For the financial year ended 31 December 2002, the Group recorded an increase in revenue by approximately RM13 million, representing an increase of 47.6% as compared to the preceding year. The increase was mainly attributed to the commencement of 'full turnkey' operation for LED Lamps, increased orders for LED lamps, new contracts secured and an increase in orders from an existing customer. In tandem with the higher revenue, PBT improved to RM6.4 million. The effective tax rate was lower than the statutory tax rate mainly due to availability of reinvestment allowances.

In 2003, the Group saw a 71.6% or RM28.9 million increase in the Group's revenue arising from an increase in demand for LED lamps, TO-3 and Discrete Metal Can, and an increase in the average selling price of TO-3 and Discrete Metal Can as a result of the 'full turnkey' operations. During the year, depreciation charge increased mainly due to additional capital expenditure in respect of plant and machinery, and renovation of and extensions to the factory buildings. The effective tax rate was lower than the statutory tax rate mainly due to availability of reinvestment allowances.

9. FINANCIAL INFORMATION (Cont'd)

For the seven (7)-month financial period ended 31 July 2004, the Group recorded an increase in revenue by approximately 40.9% on an annualised basis as compared to the preceding year. The increase was mainly attributed to an increase in demand for LED lamps.

9.3 Factors Affecting Financial Performance, Position and Operations of the Group

Save as disclosed in Sections 3 and 9.2 of this Prospectus, the financial performance, position and operations of the Group are not materially affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that have had, will result in or are reasonably likely to have a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (ii) Material commitments for capital expenditure;
- (iii) Unusual or infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group;
- (iv) Substantial increase in revenue attributed to prices, volume, or the introduction of new products services; and
- (v) Known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical statements not indicative of future financial performance and position.

9.4 Working Capital, Borrowings, Material Litigation, Contingent Liabilities and Material Capital Commitments

(i) Working Capital

The Board is of the opinion that after taking into account the cash flow position including the proceeds from the Public Issue and the banking facilities available, the D&O Group will have adequate working capital for its present and foreseeable requirements, and in any case for a period of twelve (12) months after the date of issuance of this Prospectus.

(ii) Borrowings

As at 15 October 2004, the total bank borrowings of the Group comprising term loan, bank overdraft and bankers' acceptances, all of which are domestic borrowings and are interest bearing, are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Bank overdraft	1,041	-	1,041
Bankers' acceptances	10,565	-	10,565
Term loan	2,316	3,098	5,414
	13,922	3,098	17,020

Save as disclosed above, the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings as at 15 October 2004.

9. FINANCIAL INFORMATION (Cont'd)

There has been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 31 December 2003 or the subsequent financial period thereof, immediately preceding the date of this Prospectus.

(iii) Material Litigation

As at 15 October 2004, neither D&O nor its subsidiaries are engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiaries or any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company and its subsidiaries.

(iv) Material Capital Commitments

Save as disclosed below, as at 25 November 2004, the Group has not contracted any capital commitments, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	12,909
- Unquoted investment in 22,000,000 5% redeemable convertible preference share of RM1.00 each ("RCPS"), of which approximately RM0.55 per RCPS has been called and paid-up to-date	9,980
	<u>22,889</u>

(v) Contingent Liabilities

As at 15 October 2004, the Board is not aware of any contingent liabilities, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

9.5 Trade Debts

Based on the audited proforma consolidated balance sheets of D&O as at 31 July 2004, the ageing analysis of the trade receivables of the D&O Group is as follows:

	0 – 30 days RM'000	31 – 60 days RM'000	61 – 90 days RM'000	91 – 180 days RM'000	Over 180 days RM'000	Total RM'000
Trade receivables	9,140	6,749	14	53	-	15,956
%	57.3%	42.3%	0.1%	0.3%	-	100.0%

The normal trade credit terms of the Group range from 30 to 60 days. As at the date of this Prospectus, all trade debtors which have been outstanding for more than 90 days as at 31 July 2004 have been collected.

9. FINANCIAL INFORMATION (Cont'd)

9.6 Future Financial Information

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



Horwath Mok & Poon

Chartered Accountants AF No 0995

26 November 2004

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

The Board of Directors
D & O Ventures Berhad
C15-1, Level 15, Tower C,
Megan Avenue II, 12 Jalan Yap Kwan Seng,
50450 Kuala Lumpur.

603.2166.0000 Main
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www.horwath.com.my
horwath@po.jaring.my

Dear Sirs

**D & O VENTURES BERHAD ("D&O")
CONSOLIDATED PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDING 31 DECEMBER
2004 AND CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31
DECEMBER 2005**

We have reviewed the presentation of the consolidated profit estimate for the financial year ending 31 December 2004 and consolidated profit forecast for the financial year ending 31 December 2005 of D&O and its subsidiaries ("D&O Group"), as set out in the accompanying statements (initialed by us for the purpose of identification only) in accordance with International Standards on Auditing, AI 810 applicable to the review of estimate and forecast. The estimate and forecast have been prepared for inclusion in the Prospectus of D&O to be dated 7 December 2004 in connection with the following transactions and should not be relied on for any other purposes:-

- (a) Sub-division of the par value of the ordinary shares in D&O from RM1.00 per share to RM0.10 per share (the "Share Split") which was completed on 10 September 2004;
- (b) Acquisition by D&O of:-
 - (i) Omega Semiconductor Sdn Bhd ("Omega")

Acquisition of the entire issued and paid-up share capital of Omega comprising 4,561,677 ordinary shares of RM1.00 each in Omega for a purchase consideration of RM62,740,217 which was fully satisfied by the issuance of 627,402,000 new ordinary shares of RM0.10 each in D&O at an issue price of approximately RM0.10 per ordinary share. The purchase consideration was arrived at based on the adjusted audited net tangible assets of Omega as at 31 December 2003 of RM62,740,217. The Acquisition of Omega was completed on 13 September 2004; and
 - (ii) Omega Semiconductor Technology Sdn Bhd ("OSTB")

Acquisition of the entire issued and paid-up share capital of OSTB comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. The OSTB Acquisition was completed on 13 September 2004.

The above acquisitions are collectively referred to as the "Acquisitions" hereinafter. Upon completion of the Acquisitions, D&O, Omega and OSTB are referred to as "D&O Group".

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai • Sungai Petani

9. FINANCIAL INFORMATION (Cont'd)

- (c) Public Issue of 102,596,000 new ordinary shares of RM0.10 each in D&O at an issue price of RM0.38 per new ordinary share payable in full comprising:-
- (i) 36,500,000 new ordinary shares made available for the application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions;
 - (ii) 5,000,000 new ordinary shares made available for the application by eligible directors and employees of the D&O Group; and
 - (iii) 61,096,000 new ordinary shares by way of placement to identified investors.
- (d) The listing of and quotation for the entire enlarged issued and paid-up share capital of D&O comprising 730,000,000 ordinary shares of RM0.10 each on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"); and
- (e) The establishment of an Employees' Share Option Scheme ("ESOS") by D&O of up to 15% of the enlarged issued and paid-up share capital, which is to be allocated to eligible directors and employees of the D&O Group.

Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by D&O Group in their audited financial statements for the financial period from 1 January 2004 to 31 July 2004. The Directors of D&O Group are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

Estimate and forecast, in this context, mean 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 the date the information is prepared (best-estimate assumptions). The forecast for the financial year ending 31 December 2005 includes assumptions on the expected increase in demand for the existing products of D&O Group, as well as anticipated demand for the new products to be manufactured (refer to paragraph B2 of the detailed assumption). In line with the current practice, there are no long term contracts entered into between D&O Group and its customers. While information may be available to support the assumptions on which the estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

9. FINANCIAL INFORMATION (Cont'd)



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 consolidated profit estimate and forecast; and
- (ii) in our opinion, the consolidated profit estimate and forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by D&O in its audited financial statements for the financial period from 1 January 2004 to 31 July 2004.

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A handwritten signature in black ink, appearing to be "Mok".

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe".

Onn Kien Hoe
Approval No : 1772/11/06(J/PH)
Partner

9. FINANCIAL INFORMATION (Cont'd)

9.6.2 Consolidated Profit Estimate and Forecast and Assumptions
(Prepared for inclusion in this Prospectus)

D&O VENTURES BERHAD ("D&O")

A. Consolidated Profit Estimate For The Financial Year Ending 31 December 2004 And Profit Forecast For The Financial Year Ending 31 December 2005

Based on the bases and assumptions as set out below, the Directors of D&O estimate and forecast that the consolidated profit after taxation ("PAT") of D&O and its subsidiaries ("D&O Group") for the financial year ending 31 December 2004 and for the financial year ending 31 December 2005 will be as follows:-

	Estimate Financial Year Ending 31 December 2004 RM'000	Forecast Financial Year Ending 31 December 2005 RM'000
Revenue	109,055	153,252
Consolidated profit before taxation ("PBT")	16,036	25,198
Less: Taxation	(350)	(2,059)
Consolidated PAT	15,686	23,139
Less: Pre-acquisition profit	(10,901)	-
Consolidated PAT attributable to shareholders of D&O	4,785	23,139
Enlarged number of shares ('000)	730,000	730,000
Weighted average number of shares ('000)	184,768	730,000
Gross earnings per share ("EPS") (sen)	2.6 ⁽¹⁾	3.5
Net EPS (sen)	2.6 ⁽²⁾	3.2

Notes:-

- (1) Computed based on the consolidated PBT of RM16.036 million net of pre-acquisition profit before taxation of RM11.145 million divided by the weighted average number of D&O Shares in issue of 184,768,192 D&O Shares.
- (2) Computed based on the consolidated PAT attributable to shareholders of RM4.785 million divided by the weighted average number of D&O Shares in issue of 184,768,192 D&O Shares.
- (3) The preparation of the proforma income statements of the D&O Group for the financial years ending 31 December 2004 and 31 December 2005 is based on the assumption that the current structure of the D&O Group has been in existent throughout the estimate/forecast financial years and are prepared on a basis consistent with the accounting policies adopted and disclosed by D&O Group in their audited financial statements for the financial period from 1 January 2004 to 31 July 2004

9. FINANCIAL INFORMATION (Cont'd)**D&O VENTURES BERHAD ("D&O")****B. Principal Bases And Assumptions Relating To The Consolidated Profit Estimate And Forecast**

- B.1 There will be no significant changes in the principal activities and the existing structure of D&O Group other than that resulting from the Proposed Acquisitions as detailed in B.16 (b) below.
- B.2 The estimate and forecast revenue of the Group is derived from the growth of certain existing products and planned launches of new products. The Group estimate and forecast that the revenue of certain existing major products will grow by RM28.5 million and RM28.8 million representing an increase of 94.8% and 49.1% in 2004 and 2005 respectively. In addition, the Group also forecasted that the planned launches of the new products in 2005 will generate a revenue of RM12 million and that these launches will be carried out as scheduled.
- There will not be any loss of D&O Group's existing customers and business alliances that will materially affect the revenue of D&O Group.
- B.3 There will be no significant changes in the estimated selling prices for D&O Group's products, or major changes in the expected market demand for D&O Group's products.
- B.4 There will be no significant changes in the purchase prices of major raw materials, labour and other operating costs other than those forecasted. Any significant increase in the cost of products will be compensated through an equivalent increase in the selling prices.
- B.5 There will be no significant changes in the key management and operating structure of D&O Group.
- B.6 There will be sufficient manpower and there will be no major breakdown in manufacturing facilities as well as industrial disputes or disruptions in the supply of raw materials by major suppliers or any other abnormal factors which will adversely affect the operations of D&O Group.
- B.7 Interest, inflation and foreign currency exchange rates will not fluctuate significantly from the present and forecast level. The Malaysian Ringgit will continue to be pegged to the United States Dollar ("USD") at a rate of RM3.80/USD1.00.
- B.8 There will be no significant changes to the prevailing political conditions in Malaysia and the foreign markets in which D&O Group operates and intends to penetrate into that may have an adverse effect on the activities and performance of D&O Group.
- B.9 The Malaysian economy will perform in line with the government's projections during the forecast year without any unfavourable global economic impact.

9. FINANCIAL INFORMATION (Cont'd)



D&O VENTURES BERHAD ("D&O")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Estimate And Forecast (Cont'd)

- B.10 There will be no significant changes in the present legislation or government regulations, direct or indirect taxes and duties, which will adversely affect the activities of D&O Group. The income tax rate in Malaysia will remain at 28% with no significant changes in the bases of taxation.
- B.11 There will be no major proceedings against D&O Group which will adversely affect the activities or performance of D&O Group or give rise to any contingent liabilities which will materially affect the financial position or business of D&O Group.
- B.12 There will be no significant changes in the accounting policies presently adopted by D&O Group. The results of the subsidiaries will be consolidated using the acquisition method of accounting.
- B.13 D&O Group will continue to enjoy the existing credit and financing facilities and that additional credit and financing facilities will be obtained as required. Interest rates on the existing and additional credit and financing facilities will not vary significantly from the present and forecast levels.
- B.14 There will be no material acquisition or disposal of property, plant and equipment or investments other than those planned and incorporated in the profit estimate and forecast. The proposed investment in property, plant and equipment of approximately RM54,012,000 and RM4,284,000 will be incurred as planned in the financial year ended 31 December 2004 and 2005 respectively.
- B.15 The financial results of OSTB and OPPB are immaterial to the financial results of D&O Group. The results of OSTB and OPPB, will not have any significant effect on the results of D&O Group.
- B.16 The restructuring and subsequent listing of D&O on the Second Board Market involves the following transactions:-
- (a) Sub-division of the par value of the ordinary shares in D&O from RM1.00 per share to RM0.10 per share (the "Share Split") which was completed on 10 September 2004;

9. FINANCIAL INFORMATION (Cont'd)



D&O VENTURES BERHAD ("D&O")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Estimate And Forecast (Cont'd)

(b) Acquisition by D&O of:-

(i) Omega Semiconductor Sdn Bhd ("Omega")

Acquisition of the entire issued and paid-up share capital of Omega comprising 4,561,677 ordinary shares of RM1.00 each in Omega for a purchase consideration of RM62,740,217 which was fully satisfied by the issuance of 627,402,000 new ordinary shares of RM0.10 each in D&O at an issue price of approximately RM0.10 per ordinary share. The purchase consideration was arrived at based on the adjusted audited net tangible assets of Omega as at 31 December 2003 of RM62,740,217. The Omega Acquisition was completed on 13 September 2004; and

(ii) Omega Semiconductor Technology Sdn Bhd ("OSTB")

Acquisition of the entire issued and paid-up share capital of OSTB comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. The OSTB Acquisition was completed on 13 September 2004.

The above acquisitions are collectively referred to as the "Acquisitions" hereinafter. Upon completion of the Acquisitions, D&O, Omega and OSTB are referred to as "D&O Group".

(c) Public Issue of 102,596,000 new ordinary shares of RM0.10 each in D&O at an issue price of RM0.38 per new ordinary share payable in full comprising:-

(i) 36,500,000 new ordinary shares made available for the application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions;

(ii) 5,000,000 new ordinary shares made available for the application by eligible directors and employees of the D&O Group; and

(iii) 61,096,000 new ordinary shares by way of placement to identified investors.

(d) The listing of and quotation for the entire enlarged issued and paid-up share capital of D&O comprising 730,000,000 ordinary shares of RM0.10 each on the Second Board of Bursa Securities; and

9. FINANCIAL INFORMATION (Cont'd)



D&O VENTURES BERHAD ("D&O")

B. Principal Bases And Assumptions Relating To The Consolidated Profit Estimate And Forecast (Cont'd)

- (e) The establishment of an Employees' Share Option Scheme ("ESOS") by D&O of up to 15% of the enlarged issued and paid-up share capital. It is assumed that options for the subscription of 109,500,000 new ordinary shares of RM0.10 each at an option price of RM0.38 per ordinary share will be allocated to the eligible directors and employees of D&O Group, and that all the options are exercised. Total proceeds from the Proposed ESOS will be RM41,610,000.
- B.17 The proceeds from the Public Issue will be received in December 2004. The estimated listing expenses of RM2,000,000 to be incurred in respect of the Public Issue will be set-off against the share premium account.

- B.18 Total proceeds from the Public Issue will be utilised as follows:-

	RM'000
Capital expenditure on factory expansion	7,850
Purchase of production equipment and tooling	21,782
Purchase of new management information system infrastructure	763
Working capital	3,591
Research and Development expenditure	3,000
Estimated listing expenses	2,000
	38,986

9. FINANCIAL INFORMATION (Cont'd)

9.6.3 Directors' Commentary on Profit Estimate and Forecast

For the financial year ending 31 December 2004, the D&O Group estimates a revenue of approximately RM109.1 million representing an increase of approximately 58% or RM39.9 million over the revenue achieved for the financial year ended 31 December 2003 of RM69.2 million. Revenue in 2004 is anticipated to be contributed mainly by two (2) products, namely LED lamps and Discrete Metal Can, which are estimated to contribute approximately 65% and 21% to revenue, amounting to RM70.6 million and RM22.6 million respectively.

The anticipated growth in revenue from LED lamps is mainly attributable to the planned 100% transfer by the Group's major customer of its remaining in-house manufacturing activities in LED lamps to Omega during the year. The Directors of D&O believe that the worldwide demand for the additional LED lamps products are driven by:

- The worldwide conversion of traffic signal lights from single bulb to LED lamps to reduce electricity consumption;
- The introduction of LED lamps for the automotive rear lighting to replace conventional single light bulbs;
- The increase in demand for outdoor electronic billboard display screens for advertisement and sports stadium electronic screens for the 2008 China Olympic event; and
- The increase in demand for personal computers and lap-tops due to an improvement in worldwide economy.

Meanwhile, the Group anticipates that revenue from Discrete Metal Can would also increase primarily due to the procurement of a new manufacturing contract for TO-3 with an existing customer. In addition to the above, the Group has also forecast revenue contribution of approximately RM10.2 million from its OEM products, which have been qualified by customers in 2003 and are currently undergoing production.

For the financial year ending 31 December 2005, the D&O Group forecasts a revenue of approximately RM153.3 million. The Directors anticipate that LED Lamps will continue to be the main contributor to the Group's revenue, amounting to approximately 62% of the Group's total revenue. The Group plans to introduce a new LED lamps, namely InGan, in 2005, which is forecast to contribute approximately RM12 million to the Group's revenue. This is in line with the plan by the Group's major customer to transfer its in-house manufacturing line to Omega, which is anticipated to take place in early 2005.

Sales contribution from the Group's OEM products is forecast to increase to approximately RM35 million representing 23% of the Group's total revenue for the financial year ending 31 December 2005. This is in line with the Group's capacity expansion plan for its OEM packages and product portfolio. Amongst others, the new OEM products include TO46 VCSEL, a high-end laser diode to be used in wireless computer mouse, which is forecast to contribute approximately RM9 million to the Group's revenue.

The growth in the Group's revenue is expected to be supported by capital expenditure incurred in 2003 involving the purchase of machinery and equipment, as well as planned capital expenditure in 2004 and 2005.

The Directors estimate and forecast that the Group will continue to enjoy the existing credit and financing facilities and that additional credit and financing facilities will be obtained as required. Interest rates on the existing and additional credit and financing facilities will not vary significantly from the present and forecast levels. Further, the Directors also estimate and forecast that the Group will have adequate working capital for its present and foreseeable requirements, after taking into account the cash flow position including the proceeds from the Public Issue and also the banking facilities available.

9. FINANCIAL INFORMATION (Cont'd)

The Board has reviewed the consolidated profit estimate and forecast for the financial years ending 31 December 2004 and 31 December 2005 respectively of D&O based on the assumptions referred to in Section 9.6.2 of this Prospectus. The Board is of the opinion, after due and careful enquiry, that the consolidated profit estimate and forecast is fair and reasonable in light of the prospects of the semiconductor industry in which it operates and the future plans, strategies and prospects of the D&O Group as set out in Section 4.6.7 and 4.9 of this Prospectus respectively, as well as after taking into consideration the forecast gearing level, liquidity and working capital requirement. However, a forecast by its nature is subject to subjective judgments, inherent uncertainties and unexpected events which may occur beyond the control or prediction of the Group or its Directors. Accordingly, the Board does not guarantee the achievement of the consolidated profit estimate and forecast.

9.6.4 Dividend Estimate and Forecast

Based on the profit estimate and forecast for the financial years ending 31 December 2004 and 31 December 2005 respectively, the Directors of D&O expect to recommend dividend rates of 1% and 3% less tax for the financial years ending 31 December 2004 and 31 December 2005 respectively, based on the enlarged share capital of the Company of 730,000,000 Shares.

The intended appropriation of the profit attributable to shareholders for the financial years ending 31 December 2004 and 31 December 2005 will be as follows:

Years ending 31 December	Estimate 2004 RM'000	Forecast 2005 RM'000
Consolidated PBT	16,036	25,198
Less: Taxation	(350)	(2,059)
Consolidated PAT	15,686	23,139
Less: Pre-acquisition profits	(10,901)	-
Consolidated PAT attributable to shareholders	4,785	23,139
Less: Proposed dividend	(526)	(1,577)
Profit attributable to shareholders	4,259	21,562
Net EPS (sen)	2.6 ¹	3.2 ²
Gross dividend per Share (%)	1.0	3.0
Net dividend per Share (%)	0.7	2.2
Net dividend yield based on the issue price of RM0.38 per Share (%)	0.2	0.6
Net dividend cover (times)	9.1 ³	14.7

Notes:

- 1 *Based on the consolidated PAT after pre-acquisition profit and the weighted average number of shares in issue of 184,768,192 Shares*
- 2 *Based on the consolidated PAT after pre-acquisition profit and the enlarged issued and paid-up share capital of 730,000,000 Shares*
- 3 *The net dividend coverage ratio was computed based on the consolidated forecast PAT after pre-acquisition profit of RM4.785 million over the aggregate net dividend estimate of RM525,600*

9. FINANCIAL INFORMATION (Cont'd)

The declaration, amount and payment of dividend are subject to the recommendation by the Board and approval of the shareholders. D&O will endeavour to pay reasonable dividends to allow shareholders to participate in the profits of the Group whilst ensuring that there are adequate reserves for the future growth of the Group. Any variation from the dividend forecast would depend on the Group's financial performance, financial condition and other factors deemed relevant by the Board.

Future dividends may be waived in certain circumstances, of which amongst other are as follows:

- (a) insufficient retained profits to declare as dividends;
- (b) insufficient tax-exempt profits to declare as dividends and/or insufficient tax credits to frank its dividends; or
- (c) insufficient cash flows to pay dividends.

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9. FINANCIAL INFORMATION *(Cont'd)*

9.7 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets *(Prepared for inclusion in this Prospectus)*



26 November 2004

The Board of Directors
D & O Ventures Berhad
C15-1, Level 15, Tower C
Megan Avenue II, 12 Jalan Yap Kwan Seng,
50450 Kuala Lumpur.

Dear Sirs

D & O VENTURES BERHAD ("D&O") PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 JULY 2004

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of D&O and its subsidiaries ("D&O Group") as at 31 July 2004, together with the accompanying notes thereto which have been prepared for illustrative purposes only, for which the Directors are solely responsible, as set out in the accompanying statements (initialed by us for the purpose of identification only) prepared in connection with the following transactions for inclusion in the Prospectus of D&O to be dated 7 December 2004:-

(a) Sub-division of the par value of the ordinary shares in D&O from RM1.00 per share to RM0.10 per share (the "Share Split") which was completed on 10 September 2004;

(b) Acquisition by D&O of:-

(i) Omega Semiconductor Sdn Bhd ("Omega")

Acquisition of the entire issued and paid-up share capital of Omega comprising 4,561,677 ordinary shares of RM1.00 each in Omega for a purchase consideration of RM62,740,217 which was fully satisfied by the issuance of 627,402,000 new ordinary shares of RM0.10 each in D&O at an issue price of approximately RM0.10 per ordinary share. The purchase consideration was arrived at based on the adjusted audited net tangible assets of Omega as at 31 December 2003 of RM62,740,217. The Acquisition of Omega was completed on 13 September 2004; and

(ii) Omega Semiconductor Technology Sdn Bhd ("OSTB")

Acquisition of the entire issued and paid-up share capital of OSTB comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. The OSTB Acquisition was completed on 13 September 2004.

The above acquisitions are collectively referred to as the "Acquisitions" hereinafter. Upon completion of the Acquisitions, D&O, Omega and OSTB are referred to as "D&O Group".

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9. FINANCIAL INFORMATION (Cont'd)



- (c) Public Issue of 102,596,000 new ordinary shares of RM0.10 each in D&O at an issue price of RM0.38 per new ordinary share payable in full comprising:-
- (i) 36,500,000 new ordinary shares made available for the application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions;
 - (ii) 5,000,000 new ordinary shares made available for the application by eligible directors and employees of the D&O Group; and
 - (iii) 61,096,000 new ordinary shares by way of placement to identified investors.
- (d) The listing of and quotation for the entire enlarged issued and paid-up share capital of D&O comprising 730,000,000 ordinary shares of RM0.10 each on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"); and
- (e) The establishment of an Employees' Share Option Scheme ("ESOS") by D&O of up to 15% of the enlarged issued and paid-up share capital, which is to be allocated to the eligible directors and employees of the D&O Group.

In our opinion,

- (i) the Proforma Consolidated Balance Sheets, which are prepared for illustrative purposes only, have been properly compiled on the bases set out in the accompanying notes to the Proforma Consolidated Balance Sheets;
- (ii) the bases are consistent with the accounting policies normally adopted by the D&O Group; and
- (iii) the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

We understand that this letter will be used solely for the purpose stated above, in connection with the aforementioned transactions. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

Horwath
Firm No : AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No : 1772/11/06(J/PH)
Partner

Horwath Offices in Malaysia:

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9. FINANCIAL INFORMATION (Cont'd)

9.8 Proforma Consolidated Balance Sheets



D&O VENTURES BERHAD ("D&O")

PROFORMA CONSOLIDATED BALANCE SHEETS

	Audited as at 31 July 2004 RM'000	Proforma I After Share Split RM'000	Proforma II After Proforma I and Acquisitions RM'000	Proforma III After Proforma II and Public Issue RM'000	Proforma IV After Proforma III and the ESOS RM'000
Assets					
Property, plant and equipment	-	-	49,028	79,423	79,423
Other investment	-	-	10,143	10,143	10,143
Deferred asset	-	-	2,392	2,392	2,392
	<u>-</u>	<u>-</u>	<u>61,563</u>	<u>91,958</u>	<u>91,958</u>
Current Assets					
Inventories	-	-	10,869	10,869	10,869
Trade receivables	-	-	15,957	15,957	15,957
Other receivables, deposits and prepayments	-	-	5,972	5,972	5,972
Deposit with a licensed bank	-	-	10,000	10,000	10,000
Cash and bank balances	#	#	4,050	10,642	52,252
	<u>#</u>	<u>#</u>	<u>46,848</u>	<u>53,440</u>	<u>95,050</u>
Less: Current Liabilities					
Trade payables	-	-	6,154	6,154	6,154
Other payables and accruals	14	14	11,934	11,934	11,934
Provision for taxation	-	-	13	13	13
Short-term borrowings	-	-	13,007	13,007	13,007
	<u>14</u>	<u>14</u>	<u>31,108</u>	<u>31,108</u>	<u>31,108</u>
Net Current (Liabilities)/Assets	<u>(14)</u>	<u>(14)</u>	<u>15,740</u>	<u>22,332</u>	<u>63,942</u>
	<u>(14)</u>	<u>(14)</u>	<u>77,303</u>	<u>114,290</u>	<u>155,900</u>
Share capital	*	**	62,740	73,000	83,950
Share premium	-	-	-	26,727	57,387
Reserve on consolidation	-	-	7,228	7,228	7,228
Accumulated loss	(14)	(14)	(14)	(14)	(14)
Shareholders' Equity	<u>(14)</u>	<u>(14)</u>	<u>69,954</u>	<u>106,941</u>	<u>148,551</u>
Non-Current Liabilities					
Term loans	-	-	3,961	3,961	3,961
Deferred taxation	-	-	3,388	3,388	3,388
	<u>(14)</u>	<u>(14)</u>	<u>77,303</u>	<u>114,290</u>	<u>155,900</u>
Number of ordinary shares in issue ('000)	<u>*</u>	<u>2</u>	<u>627,404</u>	<u>730,000</u>	<u>839,500</u>
Net tangible assets ("NTA")	<u>N/A</u>	<u>N/A</u>	<u>69,954</u>	<u>106,941</u>	<u>148,551</u>
NTA per ordinary share (RM)	<u>N/A</u>	<u>N/A</u>	<u>0.11</u>	<u>0.15</u>	<u>0.18</u>

* - Issued and paid-up share capital of RM200 comprising 200 ordinary shares of RM1.00 each.

** - Issued and paid-up share capital of RM200 comprising 2,000 ordinary shares of RM0.10 each.

- Amount equals to RM200.

9. FINANCIAL INFORMATION (Cont'd)**D&O VENTURES BERHAD ("D&O")****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS****1. Basis of Preparation**

The Proforma Consolidated Balance Sheets of D&O and its subsidiaries ("D&O Group") have been prepared based on the audited balance sheets of the D&O Group as at 31 July 2004 together with the accompanying notes thereto, which have been prepared for illustrative purposes, to show the effects of the following transactions, had these transactions been effected as of that date:-

(a) Sub-division of the par value of the ordinary shares in D&O from RM1.00 per share to RM0.10 per share (the "Share Split") which was completed on 10 September 2004;

(b) Acquisition by D&O of:-

(i) Omega Semiconductor Sdn Bhd ("Omega")

Acquisition of the entire issued and paid-up share capital of Omega comprising 4,561,677 ordinary shares of RM1.00 each in Omega for a purchase consideration of RM62,740,217 which was fully satisfied by the issuance of 627,402,000 new ordinary shares of RM0.10 each in D&O at an issue price of approximately RM0.10 per ordinary share. The purchase consideration was arrived at based on the adjusted audited net tangible assets of Omega as at 31 December 2003 of RM62,740,217. The Omega Acquisition was completed on 13 September 2004; and

(ii) Omega Semiconductor Technology Sdn Bhd ("OSTB")

Acquisition of the entire issued and paid-up share capital of OSTB comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. The OSTB Acquisition was completed on 13 September 2004.

The above acquisitions are collectively referred to as the "Acquisitions" hereinafter. Upon completion of the Acquisitions, D&O, Omega and OSTB are referred to as "D&O Group".

9. FINANCIAL INFORMATION (Cont'd)



D&O VENTURES BERHAD ("D&O")

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

1. Basis of Preparation (Cont'd)

- (c) Public Issue of 102,596,000 new ordinary shares of RM0.10 each in D&O at an issue price of RM0.38 per new ordinary share payable in full comprising:-
- (i) 36,500,000 new ordinary shares made available for the application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions;
 - (ii) 5,000,000 new ordinary shares made available for the application by eligible directors and employees of the D&O Group; and
 - (iii) 61,096,000 new ordinary shares by way of placement to identified investors.
- (d) The listing of and quotation for the entire enlarged issued and paid-up share capital of D&O comprising 730,000,000 ordinary shares of RM0.10 each on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securites"); and
- (e) The establishment of an Employees' Share Option Scheme ("ESOS") by D&O of up to 15% of the enlarged issued and paid-up share capital, which is to be allocated to the eligible directors and employees of the D&O Group.

1.1 Proforma I

Proforma I incorporates the effect of the Share Split.

1.2 Proforma II

Proforma II incorporates the effects of Proforma I and the Acquisitions.

1.3 Proforma III

Proforma III incorporates the effects of Proforma II, the Public Issue and the utilisation of proceeds from the Public Issue.

9. FINANCIAL INFORMATION (Cont'd)**D&O VENTURES BERHAD ("D&O")****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)****1. Basis of Preparation (Cont'd)****1.3 Proforma III (Cont'd)**

The utilisation of proceeds from the Public Issue is as follows:-

	RM'000
Capital expenditure on factory expansion	7,850
Purchase of production equipment and tooling	21,782
Purchase of new management information system infrastructure	763
Working capital	3,591
Research and Development expenditure ("R&D")	3,000
Estimated listing expenses	2,000
	38,986

The Public Issue will give rise to a share premium of RM28,726,880. The estimated listing expenses of RM2,000,000 have been debited against the share premium.

For the purpose of presentation in the Proforma Consolidated Balance Sheet, R&D have been included in cash and bank balances pending their utilisation.

1.4 Proforma IV

Proforma IV incorporates the effects of Proforma III and the ESOS on the basis that all the options under the ESOS are exercised. Total proceeds from the exercise of these options will be RM41,610,000.

9. FINANCIAL INFORMATION (Cont'd)



D&O VENTURES BERHAD ("D&O")

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

2. Share Capital

The movements in the issued and paid-up share capital of D&O are as follows:-

Issued and Fully Paid-up Share Capital	Par Value RM	Number Of Ordinary Shares '000	Amount Of Share Capital RM'000
Upon incorporation of D&O	1.00	*	**
Share Split		2	**
As per Proforma I	0.10	2	**
Acquisitions		627,402	62,740
As per Proforma II	0.10	627,404	62,740
Public Issue		102,596	10,260
As per Proforma III	0.10	730,000	73,000
Upon full exercise of ESOS options		109,500	10,950
As per Proforma IV	0.10	839,500	83,950

* Issued and paid-up share capital of RM200 comprising 200 ordinary shares of RM1.00 each.

** RM200.

9. FINANCIAL INFORMATION (Cont'd)



D&O VENTURES BERHAD ("D&O")

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

3. Share Premium Account

The estimated listing expenses of RM2,000,000, have been debited against the share premium account under Proforma III. The movements in the share premium account are as follows:-

	RM'000
Upon incorporation of D&O	-
Share Split	-
As per Proforma I	-
Acquisitions	-
As per Proforma II	-
Public Issue	28,727
Listing expenses	(2,000)
As per Proforma III	26,727
Upon full exercise of ESOS options	30,660
As per Proforma IV	<u>57,387</u>

4. Reserve on Consolidation

Reserve on consolidation is stated net of goodwill. The reserve on consolidation arising from the acquisition by D&O of Omega represents the excess of D&O Group's share of the fair value of the identifiable net assets of Omega at the date of acquisition over the fair value of the purchase consideration whilst the goodwill arising from the acquisition by D&O of OSTB represents the excess of the fair value of the purchase consideration over D&O Group's share of the fair value of the identifiable net assets of OSTB at the date of acquisition. The calculation of the reserve on consolidation is as follows:-

	RM'000
Fair value of net assets acquired	69,968
Less: Fair value of purchase consideration	62,740
Reserve on consolidation as per Proforma II, III and IV	<u>7,228</u>