



## D & O VENTURES BERHAD

(Company No.: 645371-V)

(Incorporated in Malaysia under the Companies Act, 1965)

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## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of D & O Ventures Berhad (the "Company") will be held at Berjaya Hall, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 25 May 2005 at 3.00 p.m. for the following purposes:

### AGENDA

- |    |   |   |
|----|---|---|
| 1. | To receive and adopt the audited Financial Statements for the financial period ended 31 December 2004 together with the Report of the Directors and Auditors thereon.   | <b>Ordinary Resolution 1</b>  |
| 2. | To approve the payment of a first and final tax-exempt dividend of 1% per ordinary share in respect of the financial period ended 31 December 2004.   | <b>Ordinary Resolution 2</b>  |
| 3. | To re-elect the following Directors who are retiring in accordance with Article 134 of the Articles of Association of the Company: <ul style="list-style-type: none"> <li>i) Dato' Mohammed Azlan bin Hashim</li> <li>ii) Tay Kheng Chiong</li> <li>iii) Cheam Dau Peng</li> <li>iv) Goh Nan Yang</li> <li>v) Dr Lim Thian Soo</li> <li>vi) Lim Loi Heng</li> <li>vii) Wong Meng Tak</li> <li>viii) Lim Chong Puang</li> </ul>  | <b>Ordinary Resolution 3</b><br><b>Ordinary Resolution 4</b><br><b>Ordinary Resolution 5</b><br><b>Ordinary Resolution 6</b><br><b>Ordinary Resolution 7</b><br><b>Ordinary Resolution 8</b><br><b>Ordinary Resolution 9</b><br><b>Ordinary Resolution 10</b> |
| 4. | To approve the Directors' fee of RM20,250 in respect of the financial period ended 31 December 2004.  | <b>Ordinary Resolution 11</b>   |
| 5. | To re-appoint Messrs Horwath as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.  | <b>Ordinary Resolution 12</b>   |
| 6. | <b>*Special Business</b><br>To consider and if thought fit, to pass with or without modification, the following as ordinary resolutions:  | <b>Ordinary Resolution 13</b>   |
|    | <b>Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965</b><br><br>"THAT, subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting." |   |



## Notice of Annual General Meeting (Cont'd)

### **Authority Pursuant to Section 132E of the Companies Act, 1965**

“THAT pursuant to Section 132E of the Companies Act, 1965, authority be and is hereby given for the Company and each of its subsidiaries to enter into any arrangement or transaction with any Director of the Company or any person connected with such director to acquire from or dispose to such Director or person connected with such Director any non-cash assets of requisite value that is not less than RM250,000 (Ringgit Malaysia Two Hundred Fifty Thousand) or 10% (ten per centum) of the Company’s net assets, whichever is the lower, subject to a minimum of RM10,000.00 (Ringgit Malaysia Ten Thousand).

### **Ordinary Resolution 14**

AND THAT such authority shall continue to be in force until :

- (i) the conclusion of the next Annual General Meeting of the Company; or
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by a resolution by the shareholders in a general meeting;

whichever is earlier.”

### **Proposed Ratification of Recurrent Related Party Transactions of a Revenue or Trading Nature**

### **Ordinary Resolution 15**

“THAT, the specified recurrent related party transactions of a revenue or trading nature entered into by the Company and its subsidiaries as stated in Section 2.3.1 of the Circular to Shareholders dated 22 April 2005 from the date of the listing of the Company, i.e. 28 December 2004 up to the date of the Annual General Meeting, be and are hereby approved, confirmed and ratified.”

### **Proposed Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

### **Ordinary Resolution 16**

“THAT, approval be and is hereby given to the Company and its subsidiaries to enter into and give effect to specified recurrent related party transactions of a revenue or trading nature as stated in Section 2.3.2 of the Circular to Shareholders dated 22 April 2005 which are necessary for the Group’s day-to-day operations subject further to the following:

- (i) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to be public and is not to the detriment of the minority shareholders and that such transactions are made on an arm’s length basis and on normal commercial terms; and
- (ii) disclosure is made in the Annual Report of the aggregate value of transactions concluded pursuant to the shareholders’ mandate during the financial year; and

## Notice of Annual General Meeting (Cont'd)

- (iii) that such approval shall continue in force until:
- a) the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
  - c) revoked or varied by resolution passed by the shareholders in general meeting.

whichever is the earlier; and

- (iv) the Directors be and are hereby authorised to complete and do such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

By Order of the Board

**TAN PEI CHOO** (MAICSA 7023284)  
Company Secretary

Kuala Lumpur  
22 April 2005

### Notes:

- (1) A proxy may but need not be a member of the Company. A member shall be entitled to appoint a person, whether a member or not, as his proxy to attend and vote at a meeting of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies/Companies Commission of Malaysia.
- (2) A member may appoint up to two (2) proxies to attend and vote at the same meeting and if a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation’s seal or under the hand of an officer or attorney duly authorised.
- (4) The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office of the Company at No. 15, Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur not less than forty eight (48) hours before the time appointed for holding the meeting or any adjourned meeting as the case may be.



## Notice of Annual General Meeting (Cont'd)

(5) \*Explanatory notes on the Special Business

### **Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 13, if passed, will empower the Directors from the date of the First Annual General Meeting, to allot and issue up to a maximum of 10% of the issued share capital of the Company for the time being (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company without having to convene a separate general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

### **Authority Pursuant to Section 132E of the Companies Act, 1965**

Section 132E of the Companies Act, 1965, prohibits a company or its subsidiaries from entering into any arrangement or transaction with its directors or persons connected with such directors in respect of the acquisition from or disposal to such director or connected persons any non-cash assets of the "requisite value" without prior approval of the Company in general meeting.

The Proposed Ordinary Resolution 14, if passed, will authorise Company and each of its subsidiaries to enter into any arrangement or transaction with a Director of the Company or with a person connected with such Director to acquire from or dispose to such a Director or person connected any non-cash assets of the requisite value that is less than 5% of the total consolidated net tangible assets of the Company at the time of such acquisition or disposal.

### **Proposed Ratification of Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Proposed Ordinary Resolution 15, if passed, will mean that all recurrent related party transactions entered into by the Company from the date of listing, i.e. 28 December 2004 until the forthcoming First Annual General Meeting of the Company shall deemed to be ratified and approved by the shareholders of the Company. The particulars of which are as set out in section 2.3.1 of the Circular to Shareholders of the Company dated 22 April 2005 despatched together with the Annual Report.

### **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The Proposed Ordinary Resolution 16, if passed, will provide a new mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in section 2.3.2 of the Circular to Shareholders of the Company dated 22 April 2005 despatched together with the Annual Report. This authority, unless revoked or varied by the Company in a General Meeting, will expire at the next Annual General Meeting of the Company.

## **NOTICE OF DIVIDEND ENTITLEMENT**

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the forthcoming First Annual General Meeting, a first and final tax-exempt dividend of 1% per ordinary share for the financial period ended 31 December 2004 will be paid on 15 June 2005 to the holders of ordinary shares registered in the Record of Depositors at the close of business on 7 June 2005.

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the Depositor's Securities Account on or before 4.00 p.m. on 7 June 2005, in respect of transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

**TAN PEI CHOO** (MAICSA 7023284)  
Company Secretary

Kuala Lumpur  
22 April 2005

## Statement Accompanying Notice of Annual General Meeting

### 1. First Annual General Meeting of D & O Ventures Berhad

Place : Berjaya Hall, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off  
Jalan Damansara, 60000 Kuala Lumpur  
Date : 25 May 2005  
Time : 3.00 p.m.

### 2. Names of individuals who are standing for re-election as Directors

To re-elect the following directors retiring under the provision of Article 134 of the Articles of Association of the Company, and who being eligible offer themselves for re-election:

- i. Dato' Mohammed Azlan bin Hashim
- ii. Tay Kheng Chiong
- iii. Cheam Dau Peng
- iv. Goh Nan Yang
- v. Dr Lim Thian Soo
- vi. Lim Loi Heng
- vii. Wong Meng Tak
- viii. Lim Chong Puang

### 3. Further details of individuals who are standing for re-election as Directors

Further details of the Directors standing for re-election at the First Annual General Meeting are set out in page 10 to 12 and their shareholdings information are listed on page 58 of this Annual Report.

### 4. Board Meetings held during the Financial Period Ended 31 December 2004 and Details of Directors' Attendance

There were two (2) Board Meetings held during the financial period ended 31 December 2004. Details of attendance of the Directors at the board meetings are set out in the Corporate Governance Statement on page 13 of the Annual Report.



## Corporate Information

### BOARD OF DIRECTORS

**Non-Independent Non-Executive Chairman**  
Dato' Mohammed Azlan bin Hashim

**Group Managing Director**  
Tay Kheng Chiong

**Executive Director**  
Cheam Dau Peng

### Non-Executive Directors

Goh Nan Yang  
Dr Lim Thian Soo  
Lim Loi Heng\*  
Wong Meng Tak\*  
Lim Chong Puang\*  
Lai Kin Shin  
*(alternate director to Goh Nan Yang)*  
Low Tek Beng  
*(alternate director to Cheam Dau Peng)*

### AUDIT COMMITTEE

Lim Loi Heng\*  
Wong Meng Tak\*  
Lim Chong Puang\*

### REMUNERATION COMMITTEE

Goh Nan Yang  
Dr Lim Thian Soo  
Lim Chong Puang\*

*(\*) - Independent and Non-Executive Director*

### COMPANY SECRETARY

Tan Pei Choo (MAICSA 7023284)

### Principal Place of Business

Lot 6 Batu Berendam Free Trade Zone  
Phase III  
75350 Batu Berendam  
Melaka  
Tel: 06-282 7101  
Fax: 06-286 4137  
Email: [omega@ossb.po.my](mailto:omega@ossb.po.my)  
Website: <http://www.omegasemicon.com.my>

### REGISTERED OFFICE

No 15 Bukit Ledang  
Off Jalan Duta  
50480 Kuala Lumpur  
Tel: 03-2094 3268  
Fax: 03-2094 3188

### REGISTRAR

PFA Registration Services Sdn Bhd  
(19234-W)  
Level 13, Uptown 1  
No 1 Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7725 4888  
Fax: 03-7722 2311

### REGISTER OF OPTION

Lot 6 Batu Berendam Free Trade Zone  
Phase III  
75350 Batu Berendam  
Melaka  
Tel: 06-282 7101  
Fax: 06-286 4137

### AUDITORS

Horwath (AF 1018)  
Level 16 Tower C  
Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel: 03-2166 0000  
Fax: 03-2166 1000

### PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad  
EON Bank Berhad

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Second Board

Sector : Technology

Stock code : 7204

Stock name : D&O



## Corporate Structure



**D&O**  
**D & O VENTURES BERHAD**  
(645371-V)

100%

**Omega Semiconductor  
Sdn Bhd**  
(282621-V)

100%

**Omega Semiconductor  
Technology Sdn Bhd**  
(590650-D)

51%

**Omega Photonics  
Packaging Sdn Bhd**  
(645720-H)



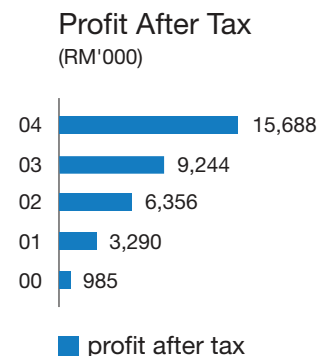
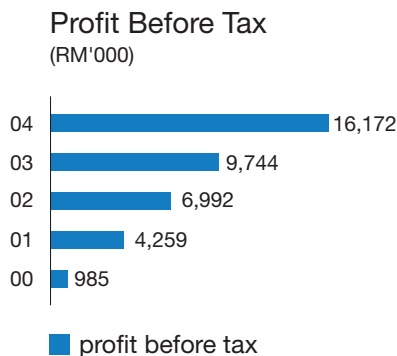
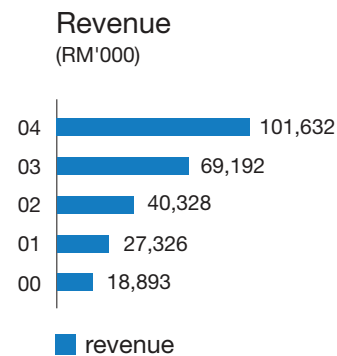


## Five-Year Financial Highlights

The table below sets out a summary of the proforma consolidated audited results of D&O for the past four (4) financial years from 2000 to 2003, prepared for illustration purposes only based on the audited financial statements of D&O and its subsidiaries and on the assumptions that the current structure of the Group had been in existence throughout the financial years/period under review, and after making such necessary adjustment. The financial results for the year 2004 are based on the audited financial statements of the Group for the financial period ended 31 December 2004.

	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
<b>Income Statement</b>					
Revenue	18,893	27,326	40,328	69,192	101,632
Profit/(Loss) Before Tax (PBT)	985	4,259	6,992	9,744	16,172
Profit/(Loss) After Tax (PAT)	985	3,290	6,356	9,244	15,688

1. The proforma consolidated income statements are prepared for illustrative purposes only and are prepared based on the audited financial statements of Omega Semiconductor Sdn Bhd and Omega Semiconductor Technology Sdn Bhd 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.
2. 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.



## Chairman's Statement

It is an honour and a privilege to have been appointed the first Chairman of the Board of Directors of D & O Ventures Berhad ("D&O") and to be afforded the opportunity of presenting its first Annual Report and Financial Statements of the Company and the Group for the financial period ended 31 December 2004.

At D&O, we seek to meet our business goals and objectives through the pursuit of two core principles: continuous improvement and sustainability. The desire to be the "No. 1 Solution Provider in Discrete & Opto Packaging Assembly" is more than merely an ambition to achieve business success. It requires us to constantly review and improve our performance in all aspects of the way we undertake our business at each and every level.

### PERFORMANCE REVIEW

It was a challenging year locally as well as internationally for business. With the fund raised from the listing, the extension of the existing factory building and construction of a four storey factory building were completed. New production equipment and tooling were purchased and installed. These coupled with the in-progress installation of new management information system infrastructure and the on-going Research and Development efforts have contributed tremendously to the Group steady production capacity growth. Our emphasis on niche products, quality and customer service ensured good sales growth. Management's focus on securing a competitive cost base was unwavering. This, combined with increased sales in both existing and new markets, produced the desired good earnings. Our first year performance as a Public Listed Company matched the estimated target. For the financial period ended 31 December 2004, the Group achieved a Revenue of RM101.6 million and a Profit After Taxation of RM15.7 million. The highlight of the year was undoubtedly our successfully listing on the Second Board of Bursa Malaysia Securities Berhad.

### PROSPECT

The Group is uniquely positioned to benefit from its leading market position in niche products and its strong technology supports and services. The Group is continuing invest in its growth businesses to ensure that their full potential is realised. With its strong management team, committed employees and financial strengths, the Group is confident of overcoming the challenges ahead. The successful launch of new OEM products such as SOT 23 Discrete and TO46 VCSEL (Vertical Cavity Surface Emitting Laser) in 2004, has resulted in the Group's product range being enhanced. Looking forward, the Group will continue to sustain the pace of new OEM product launches.

### DIVIDEND

For the financial period ended 31 December 2004, your Directors have recommended a first and final tax-exempt dividend of 1% per share, subject to the approval of the shareholders at the forthcoming first Annual General Meeting. The total net dividend for the period under review will amount to RM730,000.

### CORPORATE SOCIAL RESPONSIBILITY

The Group has always stressed corporate responsibility and contribution to the community. In 2004, the Group and its employees continued to engage in community service, such as making charitable donations to assist the tsunami victims, supporting environmental protection and helping the disadvantaged. It is the commitment of our management and employees to building value into our business and the communities in which we live and operate.

### BOARD AND EMPLOYEES

During the year, the Board has continued to oversee the strategic development of the Group. We are fortunate to have a strong team of Directors who bring a wealth of knowledge and experience to the Board. Indeed, we have a highly professional and dedicated workforce also play an essential role in the Group's continued success. It is our responsibility to develop tomorrow's management talent and all employees to achieve their full potential.

Finally, on behalf of the Board, I would like to take this opportunity to express my heart-felt thanks to our shareholders, investors, suppliers and customers for their continued support, and to all members of the Board and the employees of the Group for their diligent work in the past year.

Dato' Mohammed Azlan bin Hashim  
Chairman

22 April 2005





## Profile of Directors

**Dato' Mohammed Azlan bin Hashim**  
**Non-Independent and Non-Executive Chairman**  
**Malaysian**

Dato' Mohammed Azlan bin Hashim, aged 48, was appointed as the Non-Independent Non-Executive Chairman of D&O on 16 September 2004. Dato' Azlan graduated with a Bachelor of Economics degree from Monash University, Melbourne in 1978 and is a member of the Institute of Chartered Accountants, Australia, Malaysian Institute of Accountants and a Fellow of Malaysian Institute of Directors. Dato' Mohammed Azlan was the former Executive Chairman of Kuala Lumpur Stock Exchange ("KLSE") (*now known as Bursa Malaysia Berhad*). During his tenure with KLSE, he also served as Chairman of Malaysia Central Depository Sdn Bhd, Securities Clearing Automated Network Services Sdn Bhd and Labuan International Financial Exchange Inc. He was also a Board Member of Malaysia Derivatives Exchange Berhad and served as a member of the Finance Committee on Corporate Governance, the Second National Economic Consultative Council and Financial Reporting Foundation. Prior to his appointment as Executive Chairman of KLSE, he had extensive experience in the corporate sector, starting his career as an auditor in 1979 with Peat, Marwick, Mitchell & Co, Melbourne and among others in Corporate Finance at Amanah-Chase Merchant Bank Berhad. He served as Chief Executive/Executive Director of Bumiputra Merchant Bank Berhad from 1989 to 1991. In 1994, he was appointed Group Managing Director of Amanah Capital Malaysia Berhad before assuming his position at KLSE in 1998. He is currently a Board Member of Khazanah Nasional Berhad, Employees Provident Fund, Labuan Offshore Financial Services Authority, Scomi Group Berhad and Proton Holdings Berhad. Dato' Azlan has attended all meetings of the Board of Directors held during the financial period ended 31 December 2004.

Please refer to page 56 of this Annual Report on his securities holding.

**Tay Kheng Chiong**  
**Group Managing Director**  
**Malaysian**

Tay Kheng Chiong, aged 41, was appointed as the Group Managing Director of D&O on 16 September 2004. He is a member of the Employees' Share Option Scheme Committee. Mr Tay graduated from the University of Sunderland, England with a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics in 1989. In 1999, he obtained a Master of Business Administration from the University of Strathclyde, Scotland. Upon graduation, he joined a multinational semiconductor company in 1989 as a Development Engineer and was promoted to Director of Manufacturing in 1999. In 2001, he joined Dominant Semiconductors Sdn Bhd as Managing Director until 2004. He is a Chartered Engineer with the Institution of Electrical Engineers, United Kingdom, since 2000. He has more than fifteen (15) years of experience in the semiconductor industry. With his sound technical background and vast experience in the semiconductor industry, his forte lies in the management of the overall operations, business development and strategic direction of the D&O Group. He has attended all meetings of the Board of Directors held during the financial period ended 31 December 2004.

Please refer to page 56 of this Annual Report on his securities holding.

**Cheam Dau Peng**  
**Executive Director**  
**Malaysian**

Cheam Dau Peng, aged 52, was appointed as an Executive Director of D&O on 16 September 2004. After completing his secondary school education, he started his career as a Production Supervisor with National Semiconductor (M) Sdn Bhd. Backed by more than thirteen (13) years of experience in the semiconductor industry, he has vast hands-on experience in plant operations. He was appointed as a Director of Omega Semiconductor Sdn Bhd ("Omega") in 2001. Since then, he has played an active role in the growth and expansion of the D&O Group. Under his stewardship, Omega's operation has expanded to offer a complete 'full turnkey' contract manufacturing service to its MNC customers and diversified into assembly of various OEM packages. He has attended one (1) meeting out of the two (2) Board of Directors' meetings held during the financial period ended 31 December 2004.

Please refer to page 56 of this Annual Report on his securities holding.

## Profile of Directors (Cont'd)

**Goh Nan Yang**  
**Non-Independent and Non-Executive Director**  
**Malaysian**

Goh Nan Yang, aged 42, was appointed as a Non-Independent Non-Executive Director of D&O on 16 September 2004. He is the Chairman of the Remuneration Committee and a member of the Employees' Share Option Scheme Committee. Mr Goh graduated from the University of Toledo with a Bachelor of Science degree majoring in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid 1990's, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into the hospitality and student education ventures. He is the Chief Executive Officer and Director of Pearl River Tyre (Holdings) Limited, a company listed on the Hong Kong Stock Exchange. He is also a board member in Mega First Corporation Berhad. He holds directorships in several private limited companies. He has attended one (1) meeting out of the two (2) Board of Directors' meetings held during the financial period ended 31 December 2004.

Please refer to page 56 of this Annual Report on his securities holding.

**Dr Lim Thian Soo**  
**Non-Independent and Non-Executive Director**  
**Malaysian**

Dr Lim Thian Soo, aged 42, was appointed as a Non-Independent Non-Executive Director of D&O on 16 September 2004. He is a member of the Employees' Share Option Scheme Committee and a member of the Remuneration Committee. Dr Lim graduated Bachelor of Medicine and Bachelor of Surgery in 1986 from Edinburgh University Medical School and practised for six (6) years as a doctor in the United Kingdom. He obtained a Master of Business Administration from City University Business School in 1993. He is currently the Group Managing Director of Mega First Corporation Berhad and also a board member of Rock Chemical Industries (Malaysia) Berhad. He also holds directorships in several private limited companies. He has attended one (1) meeting out of the two (2) Board of Directors' meeting held during the financial period ended 31 December 2004.

Please refer to page 56 of this Annual Report on his securities holding.

**Lim Loi Heng**  
**Independent and Non-Executive Director**  
**Malaysian**

Lim Loi Heng, aged 54, was appointed as an Independent Non-Executive Director of D&O on 16 September 2004. He is the chairman of the Audit Committee. Mr Lim qualified as a Chartered Accountant from the Institute of Chartered Accountants, England & Wales in 1976 and was attached with KPMG, Kuala Lumpur, an international public accounting firm in 1977 and 1978. Thereafter, he joined Kuala Lumpur Kepong Bhd in 1979 and held various senior positions for 18 years until 1997. He is an Independent Director of Pearl River Tyre (Holding) Limited, a company listed on the Hong Kong Stock Exchange and holds directorships in several private limited companies. He has attended all meetings of the Board of Directors held during the financial period ended 31 December 2004.

Please refer to page 56 of this Annual Report on his securities holding.

**Wong Meng Tak**  
**Independent and Non-Executive Director**  
**Malaysian**

Wong Meng Tak, aged 58, was appointed as an Independent Non-Executive Director of D&O on 16 September 2004. He is a member of the Audit Committee. Mr Wong obtained a Bachelor of Arts (Honours) degree majoring in Economics from the University of Malaya in 1971. He began his career in 1971 with HSBC Bank (Malaysia) Berhad and held various positions within the bank. In 2002, he retired from the bank as Senior Manager Regional Credit. He has attended all meetings of the Board of Directors held during the financial period ended 31 December 2004.

Please refer to page 56 of this Annual Report on his securities holding.



## Profile of Directors (Cont'd)

**Lim Chong Puang**  
**Independent and Non-Executive Director**  
**Malaysian**

Lim Chong Puang, aged 47, was appointed as an Independent Non-Executive Director of D&O on 16 September 2004. He is a member of the Audit Committee and Remuneration Committee. Mr Lim obtained a Bachelor of Arts (Honours) degree majoring in Economics and Accountancy from the University of Kent, United Kingdom in 1980. He began his career in 1981 with Ming Hoe Motors Sdn Bhd as a Sales Manager. He also holds various management positions in his family businesses which are involved in property development and plantations. Currently, he also holds directorships in Hock Jiong Enterprise Holdings Bhd and several private limited companies. He has attended all meetings of the Board of Directors held during the financial period ended 31 December 2004.

Please refer to page 56 of this Annual Report on his securities holding.

**Lai Kin Shin** (Alternate Director to Goh Nan Yang)  
**Non-Independent and Non-Executive Alternate Director**  
**Malaysian**

Lai Kin Shin, aged 37, was appointed as the Alternate Director to Goh Nan Yang on 16 September 2004. Mr Lai obtained his first class honours Bachelor of Engineering degree in Electrical and Electronic from the University of Portsmouth, United Kingdom in 1993. He began his career in 1993 with a multinational semiconductor company as a Process Engineer and was promoted to Production Manager in 1998.

Please refer to page 56 of this Annual Report on his securities holding.

**Low Tek Beng** (Alternate Director to Cheam Dau Peng)  
**Non-Independent and Non-Executive Alternate Director**  
**Malaysian**

Low Tek Beng, aged 34, was appointed as the Alternate Director to Cheam Dau Peng on 16 September 2004. He obtained his first class honours Bachelor of Mechatronic degree from the University of Leeds, United Kingdom in 1994. He began his career in that same year with a multinational semiconductor company as a Product Development Engineer and was subsequently promoted to Product Development Manager before he left the company in 2000.

Please refer to page 56 of this Annual Report on his securities holding.

*Notes:*

- *None of the Directors of the Company has been convicted of any offence within the past ten (10) years other than traffic offence, if any.*
- *The Group has entered into recurrent related party transactions with parties in which the Directors of the Company, namely Tay Kheng Chiong, Cheam Dau Peng, Dr Lim Thian Soo, Goh Nan Yang, Lai Kin Shin and Low Tek Beng have direct or indirect interest in the transactions presented in note 32 in the accompanying Financial Statements. Save as disclosed above, none of the other Directors have any conflict of interest within the Group.*



## Corporate Governance Statement

The Board of D&O is committed to ensuring that good corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve the financial performance of the Group. To this end, the Board fully supports the Principles and Best Practices of corporate governance as promulgated by the Malaysian Code of Corporate Governance ("the Code").

Set out below is the description on the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code pursuant to the requirement listed under paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

### PRINCIPLE STATEMENT

The principles of the Code are divided into four Sections:

- Section 1: The Board
- Section 2: Directors' Remuneration
- Section 3: Shareholders
- Section 4: Accountability and Audit

### SECTION 1: THE BOARD

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance, standards of conduct and critical business issues. The Board is made up of Directors who are entrepreneurs and experienced professionals in the fields of economics, medicine, accountancy and engineering. Together the members of the Board form an effective Board that is able to effectively lead the Company.

#### COMPOSITION OF THE BOARD

The Board currently has eight (8) members comprising one (1) Non-Independent Non-Executive Chairman, two (2) Executive Directors (including Group Managing Director), three (3) Independent Non-Executive Directors, and two (2) Non-Independent Non-Executive Directors. A brief description of the background of each Director is presented on page 10 to 12.

The composition of the Board includes sufficient numbers of independent, executive and non-executive directors as prescribed by the Listing Requirement of the Bursa Securities. This is to ensure that no individual or small groups of individuals dominates the Board's decision-making process.

The roles of the Chairman and Group Managing Director are distinct and separate with their responsibilities clearly defined to ensure a balance of power and authority.

#### BOARD RESPONSIBILITIES

The Board retains full and effective control of the Company. This includes responsibility for determining the Company's overall strategic direction as well as development and control of the Group. Key matters, such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board.

Since the incorporation of the Company in 12 March 2004 to 31 December 2004, during the financial period ended 31 December 2004 the Board met twice (2) and the attendance record for each Director is as follows:

Directors	Attendance
Dato' Mohammed Azlan bin Hashim	2/2
Tay Kheng Chiong	2/2
Cheam Dau Peng	1/2
Goh Nan Yang	1/2
Dr Lim Thian Soo	1/2
Lim Loi Heng	2/2
Wong Meng Tak	2/2
Lim Chong Puang	2/2





## Corporate Governance Statement (Cont'd)

The Board plans to meet at least four (4) times a year at quarterly intervals, with additional meetings to be convened when urgent and important decisions need to be made between the scheduled meetings.

The Board has also delegated certain responsibilities to its Board committees, which operate within clearly defined Terms of Reference. Currently the committees of the Board include an Audit Committee (please refer to the Audit Committee Report set out on page 19 to 21, an Employees' Share Option Scheme Committee and a Remuneration Committee.

### **DIRECTORS' TRAINING**

Save for Tay Kheng Chiong and Low Tek Beng who have been granted an extension to attend the Mandatory Accreditation Programme ("MAP") in early June 2005, all the other directors of the Company have attended the MAP. The Board is committed to attend any training or continuing education programmes to keep abreast with the developments in the market place.

### **SUPPLY OF INFORMATION**

Reports providing updates on operational, financial and corporate issues are circulated to each Board Member prior to the meetings. This will enable the Directors to obtain further explanations/clarifications, where necessary, in order to be properly briefed before deliberation on the issues in the meeting.

Directors also have the rights to seek independent professional advice at the Company's expense in furtherance of their duties.

Directors have access to timely and accurate information within the Group, whether as the full Board or in their individual capacity, in furtherance of their duties. Directors also have direct access to the advice and the services of the Group's Company Secretary who is responsible for ensuring that the Board's procedures are followed.

### **APPOINTMENT TO THE BOARD AND RE-ELECTION**

All Directors (including the Managing Director) will retire at regular intervals by rotation at least every three years and shall be eligible for re-election.

When appointing new directors, the Board is first provided with the curriculum vitae of the candidate beforehand for consideration. The appointment is then finalised after discussions at Board meeting thus giving ample time for deliberations on the suitability of the candidate.



## Corporate Governance Statement (Cont'd)

### SECTION 2: DIRECTORS' REMUNERATION

The Board established a Remuneration Committee on 25 February 2005 and the members of the Remuneration Committee are as follows:-

Name	Position
Goh Nan Yang	Chairman
Dr Lim Thian Soo	Member
Lim Chong Puang	Member

The primary function of the Remuneration Committee is to set up the policy framework and to make recommendations to the Board on remuneration packages and other terms of employment. The remuneration and entitlement of Non-Executive Directors will be a decision by the whole Board with relevant Directors concerned abstaining from deliberations and voting on the decision in respect of his individual remuneration package.

The remuneration of Directors is set at a level which would enable the Group to attract and retain Directors with relevant expertise and the experience necessary to run the Group effectively. Directors' fees are to be approved by the shareholders at the Annual General Meeting.

The Company was incorporated on 12 March 2004 and for the financial period ended 31 December 2004, the aggregate remuneration of the Directors are as follows:-

	Salaries, bonuses & other emoluments RM	Benefits-in-kind RM	Fees RM
Executive Directors	118,749	0	0
Non-Executive Directors	41,758	0	20,250

The number of Directors whose remuneration fall into the following bands are as follows:-

Remuneration bands per annum	Executive	Non-Executive
Below RM50,000	1	6
RM50,001 to RM100,000	1	0

The Code recommends detailed disclosure to be made for each director's remuneration. However, the Board is of the view that the transparency and accountability are not compromised by the band disclosure as permitted by the Bursa Securities Listing Requirements.



## Corporate Governance Statement (Cont'd)

### SECTION 3: SHAREHOLDERS

#### ANNUAL GENERAL MEETING

The Annual General Meeting is the principal forum for dialogue with shareholders. The shareholders are encouraged to participate in general meetings of the Company. Notice of the Annual General Meeting and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

Shareholders are kept well informed of developments and performances of the Company through disclosures to the Bursa Securities and press releases (where appropriate) as well as the Annual Report. The Annual Report contains all the necessary disclosures in addition to facts and figures about the Company. Furthermore, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations.

The Board nevertheless welcomes and responds to inquiries and feedback from shareholders, whether verbal or written.

In addition to the above, the Company also welcomes requests for meetings and interviews with professionals from the investment community and is always willing to meet up with institutional investors when required, to elaborate or further clarify information already disclosed to other shareholders. Since the date of the Listing, a number of institutional brokers and asset fund managers have visited the factory.

### SECTION 4: ACCOUNTABILITY AND AUDIT

#### FINANCIAL REPORTING

The Directors are responsible for the preparation of the annual audited accounts, and the Board ensures that the accounts and the other financial reports of the Company and of the Group are prepared in accordance with applicable Approved Accounting Standards and the provisions of the Companies Act, 1965.

The Directors also strive to ensure that financial reporting present a fair and understandable assessment of the Groups' and Company's position and prospects. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board of Directors prior to release to Bursa Securities. The Statement by Directors made pursuant to Section 169 of the Companies Act, 1965 is set out in this Annual Report.

The Audit Committee plays an active role in helping the Board discharge its governance responsibilities. The Committee has been established since 16 September 2004 and it works within the purview of its Terms of Reference, which have been drafted in accordance with the Listing Requirements. The role of the Committee in relation to the external auditors is also embodied under its Terms of Reference.

#### INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining the system of internal controls to safeguard shareholders' value and the Company's assets. The Statement on Internal Control made in pursuance of paragraph 15.27 of the Listing Requirements is separately set out in page 22 of this Annual Report.

#### RELATIONSHIP WITH AUDITORS

The Group has maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the approved accounting standards in Malaysia.



## Corporate Governance Statement (Cont'd)

### COMPLIANCE STATEMENT

The Group was substantially in compliance with the Best Practices of Corporate Governance, with the exception of the following:-

- The Board has not appointed a senior independent non-executive director, to whom concerns can be conveyed. The Board does not believe there is such a necessity because all members of the Board actively and freely participate during Board meetings and the Board has unrestricted and timely access to the management for any information that the Board requires in discharging the duties and responsibility.
- Establishment of a Nomination Committee has not been effected as the Board carries out this function.
- Risk Management System  
At present, the Group is in the process of implementing various internal controls relating to financial and operational matters. The Group has outsourced this function to an external professional service provider firm to assist the Audit Committee in discharging its duties in respect of the internal controls within the Group.

A more structured approach to formalise the existing processes, by which risks are identified, assessed, controlled and reviewed with the involvement of the Audit Committee and the Board, will be adopted.





## Corporate Governance Statement (Cont'd)

- **MATERIAL CONTRACTS WITH RELATED PARTIES**  
There were no material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests which were still subsisting at the end of the financial period.
- **SANCTIONS AND/OR PENALTIES IMPOSED**  
There are no sanctions or material penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial period under review.
- **SHARE BUY-BACKS**  
There was no share buy-back by the Company for the financial period under review.
- **OPTION, WARRANTS OR CONVERTIBLE SECURITIES**  
During the financial year, the shareholders of D&O have approved the establishment of an Employees' Share Option Scheme at an Extraordinary General Meeting ("EGM") of the Company held on 10 September 2004. A total of 9,575,000 options were granted to 82 eligible employees. The Company has not issued any warrants or convertible securities during the financial period under review.
- **AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME**  
The Company did not sponsor any ADR or GDR programme during the financial period under review.
- **NON-AUDIT FEES**  
During the financial period ended 31 December 2004, non-audit fees of RM43,877 were paid to Messrs Horwath by the Group in relation to the listing of D&O on the Second Board of Bursa Malaysia Securities Berhad
- **PROFIT ESTIMATE, FORECAST, PROJECTION OR UNAUDITED RESULTS**  
There were no material deviation between the Group's profit after tax and after minority interest for the financial period ended 31 December 2004 and estimated profit after tax and after minority interest as set out in the Prospectus dated 7 December 2004.  
  
In addition, there were no results that differed by 10% or more from any profit estimate, forecast, projection or unaudited results during the financial period ended 31 December 2004.
- **PROFIT GUARANTEE**  
The Company did not give any profit guarantee during the financial period under review.
- **REVALUATION OF LANDED PROPERTIES**  
There was no revaluation policy adopted on landed properties during the financial period under review.
- **UTILISATION OF PROCEEDS**

The issue of 102,596,000 new ordinary shares of RM0.10 each at an issue price of RM0.38 per ordinary share were fully subscribed on its closing date on 16 December 2004 and the entire share capital of the Company of 730,000,000 ordinary shares was listed on the Second Board of Bursa Securities on the 28 December 2004.

The date of allotment of shares was on 22 December 2004 and the Group raised RM38,986,480 from the private placement and public offer. The utilisation of the proceed as of 8 April 2005 is as follow:

Description		Proposed Utilisation	Actual Utilisation	Balance
		RM'000	as at 08.04.05 RM'000	RM'000
(i)	Capital expenditure on factory expansion	7,850	6,988	862
(ii)	Purchase of production equipment	21,782	17,656	4,126
(iii)	Purchase of new information system infrastructure	763	145	618
(iv)	R&D expenditure	3,000	1,836	1,164
(v)	Working capital	3,591	1,500	2,091
(vi)	Listing expenses	2,000	1,728	272
		38,986	29,853	9,133

# Audit Committee Report

## 1. COMPOSITION

The Board established an Audit Committee on 16 September 2004 and the members of the Audit Committee are as follows:

Name	Position
Lim Loi Heng	Chairman
Wong Meng Tak	Member
Lim Chong Puang	Member

## 2. TERMS OF REFERENCE

### 2.1 Membership

- 2.1.1 The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members, a majority of whom shall be independent directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by the Bursa Securities.
- 2.1.2 In the event of any vacancy resulting in the number of members being reduced to below three, the vacancy shall be filled within two (2) months but in any case not later than three (3) months. A member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

### 2.2 Chairman

The Chairman, who shall be elected by the Audit Committee, shall be an independent director.

### 2.3 Secretary

- 2.3.1 The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.
- 2.3.2 The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Audit Committee at the Registered Office or such other place as may be determined by the Audit Committee.

### 2.4 Meetings

- 2.4.1 The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.
- 2.4.2 The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of telephone conference, videophone conference or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- 2.4.3 All decisions at such meeting shall be decided on a show of hands on a majority of votes.
- 2.4.4 The external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee. The external auditors may also request a meeting if they consider it necessary.





## Audit Committee Report (Cont'd)

### 2.5 Rights

#### 2.5.1 The Audit Committee shall:

- a) have authority to investigate any matter within its Terms of Reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Group;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) have the right to obtain independent professional or other advice at the Company's expense;
- f) have the right to convene meetings with the external auditors, whenever deemed necessary;
- g) promptly report to the Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the Listing Requirements;
- h) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise;
- i) meet as and when required on a reasonable notice;
- j) the Chairman shall call for a meeting upon the request of the external auditors.

### 2.6 Duties

#### 2.6.1 To review with the external auditors on:

- a) the audit plan, its scope and nature;
- b) the audit report;
- c) the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
- d) the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.

#### 2.6.2 To review the adequacy of the scope, functions and resources and set the standards of the internal audit function.

#### 2.6.3 To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.

#### 2.6.4 To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

#### 2.6.5 To review with management:

- a) audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
- b) interim financial information; and
- c) the assistance given by the officers of the Company to external auditors.

#### 2.6.6 To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the Annual Report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

#### 2.6.7 To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:

- a) changes in or implementation of major accounting policy and practices;
- b) significant and/or unusual matters arising from the audit;
- c) the going concern assumption; and
- d) compliance with accounting standards and other legal requirements.

#### 2.6.8 To consider the appointment or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

## Audit Committee Report (Cont'd)

### 3. ATTENDANCE OF MEETINGS

Since the establishment of the Audit Committee on 16 September 2004, two (2) meetings have been held. The details of the attendance of the Audit Committee meetings by the members of the Committee are as follows:

Name	Attendance of Audit Committee meeting
Lim Loi Heng	2/2
Wong Meng Tak	2/2
Lim Chong Puang	2/2

### 4. SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE

The followings are the activities which undertaken by the Audit Committee during the financial period ended 31 December 2004:

- a) reviewed with management their preparation for the annual financial statements prior to commencement of the annual audit;
- b) reviewed with external auditors their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit;
- c) reviewed the annual statutory accounts, the audit report, issues and reservations arising from audits and the management letter, with the external auditors;
- d) reviewed the disclosure of related party transactions and any conflict of interest situation and transactions which may have an impact on management integrity;
- e) reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies;
- f) reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board members;
- g) prepared the Audit Committee Report for inclusion in the Company's Annual Report; and
- h) reviewed the disclosure statements on compliance with the Malaysian Code of Corporate Governance, Board's responsibility on the annual audited accounts and the statement of internal control and other relevant documents, for publication in the Company's Annual Report.

### 5. THE INTERNAL AUDIT FUNCTION

In discharging its duties, the Committee is supported by the internal audit undertaken by the firm engaged to provide outsourced internal audit services to the Group.

The internal audit function is independent of the activities or operations of other operating units. The principal role is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such a system continue to operate in a satisfactory and effective manner. It is the responsibility of internal audit to provide the Committee with independent and objective reports on the state of internal control or the various operating units within the Group and the extent of compliance of the units with the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.



## Statement on Internal Control

### PREAMBLE

Paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements requires directors of a listed company to include a statement in the Annual Report on the state of their internal controls. The Statement on Internal Control: Guidance for Directors of Public Listed Companies (“the Guidance”) provides guidelines for compliance with these requirements. Set out below is the Board’s Internal Control Statement, prepared in accordance with the Guidance.

### BOARD RESPONSIBILITY

The Board recognises its responsibilities over the Group’s systems of internal control, which includes the establishment of an appropriate control environment and for reviewing its adequacy and integrity. The systems of internal control cover not only on financial controls but operational and compliance controls and risk management. It should be noted that such systems are designed to manage rather than eliminate the risk of not achieving its business objectives. Hence such internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss.

### INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges that all areas of the Group’s business activities involve a certain degree of risk and is committed to maintain an effective risk management framework which allows Management to manage risks within defined parameters and standards. To this end, as at 8 March 2005 the Board has outsourced its internal audit function to a professional service provider firm with global affiliation to conduct reviews on the adequacy and integrity of the Group’s systems of internal control that are responsive to changes in the business and operating environment.

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls and management reports on the management of risks to the Board, on a periodic basis.

Internal audit function is required to review the adequacy and of the Group’s system of internal control and to monitor compliance with the Group’s procedures. Key areas of internal audit focus have been identified and these have been incorporated into the Company’s internal audit plan. The audit plan was subsequently approved by the Audit Committee and periodic internal audit visits have been scheduled.

### OTHER ELEMENTS OF INTERNAL CONTROL

Other key elements of the Group’s internal control are as follows:

- i) defined responsibilities of the Board Committees, the management and operating units of the Group;
- ii) provided regular and comprehensive information to management, covering financial performance and key business indicators;
- iii) defined authority limits have been established for all aspects of the businesses. This process will be reviewed periodically throughout the year to ensure their implementation and continuing suitability;
- iv) established and reviewed policies and procedures for key business processes;
- v) ensured the Group’s operations in strict compliance with ISO standards and procedures;
- vi) generated the management accounts and reports on a regular, consistent and timely basis for effective monitoring and decision-making; and
- vii) highlighted issues on significant changes in operations, business and external environment, which require the attention and collective decision of the Board.



# Financial Statements

for the financial period from 12 March 2004  
(date of incorporation) to 31 December 2004



## D & O VENTURES BERHAD

(Company No.: 645371-V)

(Incorporated in Malaysia under the Companies Act, 1965)

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## Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 12 March 2004 (date of incorporation) to 31 December 2004.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

### RESULTS

	THE GROUP RM'000	THE COMPANY RM'000
Profit after taxation for the financial period	4,852	971
Minority interests	#	-
	4,852	971
	4,852	971

# RM49

### DIVIDENDS

No dividend was paid since the date of incorporation and the directors recommend the payment of a first and final dividend of 1% (tax-exempt) amounting to RM730,000 in respect of the current financial period.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period.

### ISSUES OF SHARES AND DEBENTURES

The Company was incorporated with an authorised capital of RM2,500,000 comprising 2,500,000 ordinary shares of RM1.00 each, of which 200 ordinary shares of RM1.00 each were subscribed for on the date of incorporation.

During the financial period,

- (a) on 10 September 2004,
  - (i) the par value of the ordinary shares in the Company were sub-divided from RM1.00 each to RM0.10 per share; and
  - (ii) the authorised share capital was increased from RM2,500,000 to RM100,000,000 by the creation of 975,000,000 new ordinary shares of RM0.10 each.
- (b) the Company increased its issued and paid-up share capital from RM200 to RM73,000,000 by way of:-
  - (i) the allotment of 627,402,000 new ordinary shares of RM0.10 each for the purpose of acquiring a subsidiary, Omega Semiconductor Sdn. Bhd.; and
  - (ii) the public issue of 102,596,000 new ordinary shares of RM0.10 each at an issue price of RM0.38 each in conjunction with the Company's listing on the Second Board of the Bursa Malaysia Securities Berhad.

The new shares issued rank pari passu in all respects with the existing shares of the Company.
- (c) there were no issues of debentures by the Company.

## Directors' Report (Cont'd)

### OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees' Share Option Scheme.

### EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") of the Company is governed by the ESOS By-Laws and was approved by the shareholders on 10 September 2004. The ESOS is to be in force for a period of ten years from the effective date of 15 October 2004.

The main features of the ESOS are as follows:-

- (a) Eligible persons are employees and/or directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer.
- (b) The maximum number of new shares of the Company which may be available under the Scheme, shall not exceed in aggregate fifteen percent (15%), or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the Scheme.
- (c) The option price shall be determined by the Option Committee based on the five (5)-day weighted average market price of shares of the Company immediately preceeding the offer date of the option, with a discount of not more than ten percent (10%), or at the par value of shares of the Company whichever is higher.
- (d) The option may be exercised by the Grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the Option.

There were no outstanding options as at the balance sheet date.

Subsequent to the balance sheet date, the movement in the options granted and accepted and the option price at which the employees were entitled to exercise their options were as follows:-

	OPTION PRICE RM	OPTIONS OVER ORDINARY SHARES OF RM0.10 EACH '000
Granted and accepted as at the date of this report	0.38	8,655

These options are exercisable 3 years from the date of offer.

### BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there are no known bad debts and that no allowance for doubtful debts is required.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the allowance for doubtful debts in the financial statements of the Group and of the Company.

### CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.





## Directors' Report (Cont'd)

### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial period which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

### ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial period.

## Directors' Report (Cont'd)

### DIRECTORS

The directors who served since the date of incorporation are as follows:-

DATO' MOHAMMED AZLAN BIN HASHIM (APPOINTED ON 16.9.2004)  
 TAY KHENG CHIONG (APPOINTED ON 16.9.2004)  
 CHEAM DAU PENG (APPOINTED ON 16.9.2004)  
 GOH NAN YANG (APPOINTED ON 16.9.2004)  
 LIM THIAN SOO (APPOINTED ON 16.9.2004)  
 LIM LOI HENG (APPOINTED ON 16.9.2004)  
 WONG MENG TAK (APPOINTED ON 16.9.2004)  
 LIM CHONG PUANG (APPOINTED ON 16.9.2004)  
 LOW TEK BENG (ALTERNATE TO CHEAM DAU PENG, APPOINTED ON 16.9.2004)  
 LAI KIN SHIN (ALTERNATE TO GOH NAN YANG, APPOINTED ON 16.9.2004)  
 TAN FONG SHIAN @ LIM FONG SHIAN (FIRST DIRECTOR, RESIGNED ON 16.9.2004)  
 KIM YI HWA (FIRST DIRECTOR, RESIGNED ON 16.9.2004)

Pursuant to Article 134 of the Articles of Association of the Company, Dato' Mohammed Azlan Bin Hashim, Tay Kheng Chiong, Cheam Dau Peng, Goh Nan Yang, Lim Thian Soo, Lim Loi Heng, Wong Meng Tak and Lim Chong Puang, who were appointed during the financial period, retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial period in shares in the Company and its related corporations during the financial period are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 12.3.2004 (DATE OF INCORPORATION)	ALLOTMENT	SOLD	AT 31.12.2004
DIRECT INTERESTS				
DATO' MOHAMMED AZLAN BIN HASHIM	-	80,609,477	-	80,609,477
TAY KHENG CHIONG	-	3,908,439	-	3,908,439
CHEAM DAU PENG	-	7,963,682	-	7,963,682
GOH NAN YANG	-	100,000	-	100,000
LIM THIAN SOO	-	23,740,232	-	23,740,232
Lim Loi Heng	-	100,000	-	100,000
WONG MENG TAK	-	100,000	-	100,000
LIM CHONG PUANG	-	100,000	-	100,000
LOW TEK BENG	-	100,000	-	100,000
LAI KIN SHIN	-	100,000	-	100,000



## Directors' Report (Cont'd)

### DIRECTORS' INTERESTS (CONT'D)

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH				At 31.12.2004
	At 12.3.2004 (DATE OF INCORPORATION)	ALLOTMENT	BOUGHT	SOLD	
INDIRECT INTEREST					
Dato' Mohammed Azlan Bin Hashim *	-	138,569,512	-	-	138,569,512
GOH NAN YANG **	-	84,587,805	-	-	84,587,805
LIM THIAN SOO ^	-	40,846,870	1,300,000	-	42,146,870

\* Deemed interest through his spouse's shareholding and through Magna Reserve Sdn Berhad's interest in the Company by virtue of Section 6A of the Companies Act, 1965.

\*\* Deemed interest through Omega Riang Sdn Bhd's interest in the Company by virtue of Section 6A of the Companies Act, 1965.

^ Deemed interest through Kema Development Sdn Bhd's, Chin Bee & Sons Sdn Bhd's and Mega First Corporation Berhad's interest in the Company by virtue of Section 6A of the Companies Act, 1965.

By virtue of their shareholdings in the Company, Dato' Mohammed Azlan Bin Hashim, Goh Nan Yang and Lim Thian Soo are deemed to have interests in shares in its related corporations during the financial period to the extent of the Company's interest, in accordance with Section 6A of the Companies Act, 1965.

### DIRECTORS' BENEFITS

Since the date of incorporation, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 32 to the financial statements.

Neither during nor at the end of the financial period was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the options granted to directors pursuant to the ESOS of the Company subsequent to the balance sheet date.

### SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events during the financial period are disclosed in Note 36 to the financial statements.

### AUDITORS

The auditors, Messrs. Horwath, have expressed their willingness to continue in office.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS**  
**Dated 8th day of March 2005**

**Dato' Mohammed Azlan Bin Hashim**

**Tay Kheng Chiong**

## Statement By Directors

We, Dato' Mohammed Azlan Bin Hashim and Tay Kheng Chiong, being two of the directors of D & O Ventures Berhad, state that, in the opinion of the directors, the financial statements set out on pages 31 to 54 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2004 and of their results and cash flows for the financial period ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
Dated 8th day of March 2005**

**Dato' Mohammed Azlan Bin Hashim**

**Tay Kheng Chiong**

## Statutory Declaration

I, Teng Beng Wan, I/C No. 521025-01-5633, being the officer primarily responsible for the financial management of D & O Ventures Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 54 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
Teng Beng Wan, I/C No. 521025-01-5633,  
at Kuala Lumpur in the Federal Territory  
on this 8th day of March 2005

**Teng Beng Wan**

Before me

Haron Hashim (W128)  
Commissioner for Oaths



## Report of the Auditors to the Members of D & O Ventures Berhad (Company No. 645371-v)

We have audited the financial statements set out on pages 31 to 54. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
  - (i) the state of affairs of the Group and of the Company at 31 December 2004 and their results and cash flows for the financial period ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

**Horwath**  
Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur  
8 March 2005

**Onn Kien Hoe**  
Approval No: 1408/11/06 (J/PH)  
Partner

## Balance Sheets

as at 31 December 2004

	NOTE	THE GROUP RM'000	THE COMPANY RM'000
<b>NON-CURRENT ASSETS</b>			
Investment in subsidiaries	6	-	62,740
Other investments	7	16,973	-
Property, plant and equipment	8	60,043	-
Deferred asset	9	2,904	-
		<hr/>	<hr/>
		79,920	62,740
<b>CURRENT ASSETS</b>			
Inventories	10	8,057	-
Trade receivables	11	20,946	-
Other receivables, deposits and prepayments		3,384	38
Dividend receivable		-	1,000
Tax recoverable		72	-
Cash and bank balances		38,548	38,370
		<hr/>	<hr/>
		71,007	39,408
<b>CURRENT LIABILITIES</b>			
Trade payables	12	9,209	-
Other payables and accruals	13	5,238	39
Amount owing to a subsidiary	14	-	838
Short term borrowings	15	13,527	-
Bank overdraft	16	2,547	-
		<hr/>	<hr/>
		30,521	877
<b>NET CURRENT ASSETS</b>			
		40,486	38,531
		<hr/>	<hr/>
		120,406	101,271
<b>FINANCED BY:-</b>			
Share capital	17	73,000	73,000
Share premium	18	27,300	27,300
Negative goodwill	19	8,552	-
Retained profit	20	4,122	241
Dividend proposed	21	730	730
		<hr/>	<hr/>
<b>SHAREHOLDERS' EQUITY</b>		113,704	101,271
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>			
Term loans	22	3,102	-
Deferred taxation	23	3,600	-
		<hr/>	<hr/>
		120,406	101,271
		<hr/>	<hr/>
<b>NET TANGIBLE ASSETS PER SHARE (SEN)</b>	24	15.6	

The annexed notes form an integral part of these financial statements.





## Income Statements

for the financial period from 12 March 2004 (date of incorporation)  
to 31 December 2004

	NOTE	THE GROUP RM'000	THE COMPANY RM'000
TURNOVER	25	101,632	1,000
COST OF SALES		(81,581)	-
GROSS PROFIT		20,051	1,000
OTHER OPERATING INCOME		1,427	14
		21,478	1,014
ADMINISTRATIVE EXPENSES		(3,831)	(43)
SELLING AND DISTRIBUTION EXPENSES		(350)	-
OTHER OPERATING EXPENSES		(46)	-
PROFIT FROM OPERATIONS		17,251	971
FINANCE COSTS		(1,079)	-
PROFIT BEFORE TAXATION	26	16,172	971
TAXATION	27	(484)	-
PROFIT AFTER TAXATION		15,688	971
PRE-ACQUISITION PROFIT		(10,836)	-
		4,852	971
MINORITY INTERESTS		#	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		4,852	971
EARNINGS PER SHARE (SEN):			
BASIC	28(a)	2.04	
DILUTED	28(b)	2.03	

# RM49

## Statements of Changes in Equity

for the financial period from 12 March 2004 (date of incorporation) to 31 december 2004

	NOTE	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	RESERVE ON CONSOLIDATION RM'000	RETAINED PROFIT RM'000	DIVIDEND PROPOSED RM'000	TOTAL RM'000
THE GROUP							
Balance at 12.3.2004 (date of incorporation)		*	-	-	-	-	*
Shares issued for the acquisition of a subsidiary		62,740	-	-	-	-	62,740
Acquisition of subsidiaries		-	-	8,552	-	-	8,552
Public issue		10,260	28,727	-	-	-	38,987
Listing expenses		-	(1,427)	-	-	-	(1,427)
Profit attributable to shareholders		-	-	-	4,852	-	4,852
Dividend proposed - first and final (tax-exempt)	21	-	-	-	(730)	730	-
Balance at 31.12.2004		<u>73,000</u>	<u>27,300</u>	<u>8,552</u>	<u>4,122</u>	<u>730</u>	<u>113,704</u>
THE COMPANY							
Balance at 12.3.2004 (date of incorporation)		*	-	-	-	-	*
Shares issued for the acquisition of a subsidiary		62,740	-	-	-	-	62,740
Public issue		10,260	28,727	-	-	-	38,987
Listing expenses		-	(1,427)	-	-	-	(1,427)
Profit attributable to shareholders		-	-	-	971	-	971
Dividend proposed - first and final (tax-exempt)	21	-	-	-	(730)	730	-
Balance at 31.12.2004		<u>73,000</u>	<u>27,300</u>	<u>-</u>	<u>241</u>	<u>730</u>	<u>101,271</u>

\* **RM200**



## Cash Flow Statements

for the financial period from 12 March 2004 (date of incorporation)  
to 31 december 2004

	NOTE	THE GROUP RM'000	THE COMPANY RM'000
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>			
Profit before taxation		16,172	971
Adjustments for:-			
Depreciation of property, plant and equipment		4,979	-
Interest expense		961	-
Property, plant and equipment written off		46	-
Gain on disposal of property, plant and equipment		(161)	-
Interest income		(28)	(14)
Dividend income		(25)	(1,000)
Pre-acquisition profit		(15,055)	-
Operating profit/(loss) before working capital changes		6,889	(43)
Decrease in inventories		2,031	-
Decrease/(Increase) in trade and other receivables		1,662	(38)
(Decrease)/Increase in trade and other payables		(1,363)	39
<b>CASH FROM/(FOR) OPERATIONS</b>		<b>9,219</b>	<b>(42)</b>
Income tax paid		(117)	-
Interest paid		(339)	-
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>		<b>8,763</b>	<b>(42)</b>
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>			
Interest income		28	14
Dividend income		25	-
Investment in quoted shares		(1,702)	-
Investment in preference shares		(5,000)	-
Proceeds from disposal of property, plant and equipment		501	-
Net cash inflow from the acquisition of subsidiaries	29	10,280	-
Purchase of property, plant and equipment		(11,273)	-
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>		<b>(7,141)</b>	<b>14</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Public issue		38,987	38,987
Listing expenses		(1,427)	(1,427)
Subscriber shares		*	*
Repayment of bankers' acceptances		(257)	-
Repayment of term loans		(643)	-
Advances from a subsidiary		-	838
Dividend paid by a subsidiary to its previous shareholders	30	(2,281)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>34,379</b>	<b>38,398</b>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL PERIOD</b>	31	<b>36,001</b>	<b>38,370</b>

\* RM200

The annexed notes form an integral part of these financial statements.

## Notes to the Financial Statements

for the financial period from 12 March 2004 (date of incorporation) to 31 December 2004

### 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Malaysian Companies Act, 1965. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	: C15-1, Level 15, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur.
Principal place of business	: Lot 6, Batu Berendam Free Trade Zone, Phase 3, 75350 Batu Berendam, Melaka.

The Company was listed on the Second Board of Bursa Malaysia Securities Berhad on 28 December 2004.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 8th day of March 2005.

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

### 3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, market, credit liquidity and cash flow risks. The policies in respect of the major areas of treasury activity are as follows:

#### (a) Foreign Currency Risk

The Group is exposed to foreign exchange risk arising mainly from normal trading transactions that are denominated in foreign currencies.

The directors are of the opinion that the Group's exposure to currency risk is not significant, and are limited due to the following reasons:

- (i) foreign currency transactions constitute 15% and 56% of sales and purchases respectively, and they are mainly denominated in United States Dollar (USD); and
- (ii) the Ringgit Malaysia exchange rate is pegged against the USD.

#### (b) Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from borrowings. Its policy is to obtain the most favourable interest rates available without increasing its foreign currency risk.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

Any surplus funds of the Group will be placed with licensed financial institutions at the most favourable interest rate to generate interest income.

#### (c) Market Risk

The Group's principal exposure to market risk arises mainly from changes in quoted equity prices. The Group does not use derivative instruments to manage equity risk.



## Notes to the Financial Statements (Cont'd)

for the financial period from 12 March 2004 (date of incorporation)  
to 31 December 2004

### 3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

#### (d) Credit Risk

The carrying amount of trade and other receivables represent the Group's maximum exposure to credit risks in relation to financial assets, reduced by the effect of any netting arrangements with counterparties. No other financial assets carry a significant exposure to credit risk.

The Group's major concentration of credit risk related to an individual customer which represents 71% of its trade receivables.

The Group manages its exposure to credit risks by monitoring receivables regularly and by mostly trading with reputable and credit worthy customers.

#### (e) Liquidity and Cash Flow Risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

The Group's policy on liquidity and cash flow risk management is to maintain sufficient cash and have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

### 4. BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2004.

A subsidiary is defined as a company in which the Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits therefrom.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on the disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets.

## Notes to the Financial Statements (Cont'd)

for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

#### (c) Goodwill or Negative Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition. Negative goodwill represents the excess of the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition over the fair value of the purchase consideration.

Goodwill on consolidation is stated net of negative goodwill and is retained in the consolidated balance sheet. The carrying value of the goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the consolidated income statement.

#### (d) Investments

Investments are held on a long-term basis and are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.



**Notes to the Financial Statements** (Cont'd)  
 for the financial period from 12 march 2004 (date of incorporation)  
 to 31 December 2004

**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation or amortisation and impairment losses, if any.

Depreciation or amortisation is calculated under the straight-line method to write off the cost or revalued amount of the other assets over their estimated useful lives. The principal annual rates used for this purpose are as follows:-

Leasehold land	Over the lease period of 90 - 97 years
Buildings	5%
Plant and machinery	10%
Motor vehicles	20%
Furniture and fittings, office equipment and electrical installation	10%
Tooling and dieset modification	33.33%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the balance sheet date. Capital work-in-progress is stated at cost, and is transferred to the relevant category of long term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct costs, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets till the date that the assets are completed and put into use.

**(f) Impairment of Assets**

The carrying amount of assets other than those to which MASB 23 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Cost of finished goods and work-in-progress is determined using the standard cost basis, which includes the cost of materials, labour and an appropriate proportion of production overheads.

In arriving at net realisable value, due allowance is made for all obsolete, damaged and slow-moving items.



## Notes to the Financial Statements (Cont'd)

for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (h) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

#### (i) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### (j) Interest-bearing Borrowings

The interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

#### (k) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

#### (l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (m) Employee Benefits

##### (i) Short-Term Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

##### (ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liabilities in respect of the defined contribution plans.

#### (n) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling as of that date. All exchange differences are taken to the income statement.



## Notes to the Financial Statements (Cont'd)

for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

### 5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (o) Taxation

Taxation for the period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

#### (p) Revenue Recognition

##### (i) Sale of Goods

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

##### (ii) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

##### (iii) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

##### (iv) Other Income

Other income is recognised on an accrual basis.

#### (q) Asset Recognition

An asset is recognised when it is probable that such an asset will generate future economic benefits to the Company and when the amount can be measured reliably. Unutilised reinvestment allowances which are deemed to meet the aforesaid criteria as an asset, are recognised accordingly as a deferred asset by way of a credit to the income statement, to the extent of the amount of deferred tax liability recognised pursuant to MASB 25 - Income Taxes. When there is a reversal of a deferred tax liability, the deferred asset previously recognised will be correspondingly reversed, in part or in full, by way of a debit to the income statement to the extent of the deferred tax liability reversed.

**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

**6. INVESTMENT IN SUBSIDIARIES**

	<b>THE COMPANY</b>
	<b>RM'000</b>
Unquoted shares, at cost	62,740

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name of Company	Country of Incorporation	Equity Interest	Principal Activities
Omega Semiconductor Sdn Bhd ("OSSB")	Malaysia	100%	Provide "full turnkey" contract manufacturing of semiconductor components.
Omega Semiconductor Technology Sdn Bhd ("OSTB")	Malaysia	100%	Dormant.
Omega Photonics Packaging Sdn Bhd ("OPPS") #	Malaysia	51%	Dormant.

# Held through OSTB.

**7. OTHER INVESTMENTS**

	<b>THE GROUP</b>
	<b>RM'000</b>
AT COST	
Quoted shares in Malaysia	2,953
Unquoted shares in Malaysia	14,020
	<u>16,973</u>
AT MARKET VALUE	
Quoted shares in Malaysia	<u>2,944</u>

Unquoted shares relate to the investment in 22,000,000 5% Redeemable Convertible Preference Shares ("RCPS") of RM1 each subscribed for at par in Dominant Semiconductors Sdn Bhd ("Dominant"), a company in which certain directors of the Company have substantial equity interest. The RCPS were issued as partially paid-up shares, and a total of approximately RM0.64 out of the issue price has been called and paid-up to-date.

The Group has a commitment to subscribe for the balance of the uncalled capital in respect of the RCPS amounting to RM7.98 million.



**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 march 2004 (date of incorporation)  
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**8. PROPERTY, PLANT AND EQUIPMENT**

	ATTRIBUTABLE To ACQUISITION							At 31.12.2004 RM'000
	At 12.3.2004 RM'000	OF A SUBSIDIARY RM'000	ADDITIONS RM'000	DISPOSALS RM'000	WRITTEN OFF RM'000	TRANSFERS RM'000	DEPRECIATION RM'000	
THE GROUP								
NET BOOK VALUE								
Freehold land	-	150	-	(150)	-	-	-	-
Long leasehold land	-	4,487	-	-	-	-	(17)	4,470
Buildings	-	17,764	1,709	(238)	-	42	(602)	18,675
Plant and machinery	-	24,442	8,599	(3)	-	27	(991)	32,074
Motor vehicles	-	78	-	-	-	-	(9)	69
Furniture and fittings, office equipment and electrical installation	-	3,481	908	-	-	-	(166)	4,223
Tooling and dieset modification	-	562	5	-	-	73	(206)	434
Capital work-in- progress	-	201	52	-	(13)	(142)	-	98
	-	51,165	11,273	(391)	(13)	-	(1,991)	60,043

	At COST RM'000	ACCUMULATED DEPRECIATION RM'000	NET BOOK VALUE RM'000
At 31.12.2004			
Long leasehold land	4,692	(222)	4,470
Buildings	22,961	(4,286)	18,675
Plant and machinery	36,375	(4,301)	32,074
Motor vehicles	244	(175)	69
Furniture and fittings, office equipment and electrical installation	5,568	(1,345)	4,223
Tooling and dieset modification	945	(511)	434
Capital work-in-progress	98	-	98
	70,883	(10,840)	60,043

The long leasehold land and buildings have been pledged to a bank as security for banking facilities granted to a subsidiary.

**9. DEFERRED ASSET**

	THE GROUP RM'000
Attributable to acquisition of a subsidiary	2,719
Transfer from income statement (Note 27)	185
At 31.12.2004	2,904

Deferred asset represents the tax benefits from the expected utilisation of the unutilised reinvestment allowances in the foreseeable future, based on the prevailing applicable tax rate. The amount that is recognised as an asset is limited to the amount of the deferred tax liability of the Group.

**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

**10. INVENTORIES**

	<b>THE GROUP RM'00</b>
AT COST	
Raw materials	6,554
Work-in-progress	1,503
	<u>8,057</u>

None of the inventories is carried at net realisable value.

**11. TRADE RECEIVABLES**

The Group's normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows:-

	<b>THE GROUP RM'000</b>
United States Dollar	<u>1,328</u>

Included in trade receivables is an amount owing by a related party amounting to RM1,878,287.

The nature of the related party relationship and details of the transactions involved are disclosed in Note 32 to the financial statements.

**12. TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 30 to 60 days.

The foreign currency exposure profile of trade payables is as follows:-

	<b>THE GROUP RM'000</b>
United States Dollar	5,567
Singapore Dollar	53
	<u>5,620</u>

Included in trade payables is an amount owing by related parties amounting to RM104,757.

The nature of the related party relationship and details of the transactions involved are disclosed in Note 32 to the financial statements.

**13. OTHER PAYABLES AND ACCRUALS**

The foreign currency exposure profile of other payables and accruals is as follows:-

	<b>THE GROUP RM'000</b>
United States Dollar	<u>24</u>

**14. AMOUNT OWING TO A SUBSIDIARY**

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.



**Notes to the Financial Statements** (Cont'd)  
 for the financial period from 12 march 2004 (date of incorporation)  
 to 31 December 2004

**15. SHORT TERM BORROWINGS**

	<b>THE GROUP RM'000</b>
Bankers' acceptances	11,506
Term loans (Note 22)	2,021
	13,527
	13,527

The effective interest rate at the balance sheet date for bankers' acceptances was 2.91% per annum. The bankers' acceptances are secured by way of:-

- (i) first, second and third legal charges over the long leasehold land and buildings of a subsidiary;
- (ii) debentures incorporating fixed and floating charges over all the assets of a subsidiary, both present and future; and
- (iii) the joint and several guarantee by certain directors of the Group.

**16. BANK OVERDRAFT**

The effective interest rate at the balance sheet date for the bank overdraft was 7.41% per annum. The facility is secured in the same manner as the bankers' acceptances disclosed in Note 15.

**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

**17. SHARE CAPITAL**

	PAR VALUE RM	THE GROUP/THE COMPANY NUMBER OF SHARES '000	SHARE CAPITAL RM'000
<b>ORDINARY SHARES</b>			
<b>AUTHORISED</b>			
At 12.3.2004 (date of incorporation)	1.00	2,500	2,500
Sub-division of par value of RM1.00 each into RM0.10 each	0.10	22,500	-
Increase during the financial period	0.10	975,000	97,500
<b>At 31.12.2004</b>	<b>0.10</b>	<b>1,000,000</b>	<b>100,000</b>
<b>ISSUED AND FULLY PAID-UP</b>			
At 12.3.2004 (date of incorporation)	1.00	*	**
Sub-division of par value of RM1.00 each into RM0.10 each	0.10	2	-
Allotment of shares for the acquisition of subsidiaries	0.10	627,402	62,740
Allotment by way of public issue	0.10	102,596	10,260
<b>At 31.12.2004</b>	<b>0.10</b>	<b>730,000</b>	<b>73,000</b>
* 200			
** RM200			

The Company was incorporated with an authorised capital of RM2,500,000 comprising 2,500,000 ordinary shares of RM1.00 each, of which 200 ordinary shares of RM1.00 each were subscribed for on the date of incorporation.

During the financial period,

- (a) on 10 September 2004,
- (i) the par value of the ordinary shares in the Company were sub-divided from RM1.00 each to RM0.10 per share; and
  - (ii) the authorised share capital was increased from RM2,500,000 to RM100,000,000 by the creation of 975,000,000 new ordinary shares of RM0.10 each.
- (b) the Company increased its issued and paid-up share capital from RM200 to RM73,000,000 by way of:-
- (i) the allotment of 627,402,000 new ordinary shares of RM0.10 each for the purpose of acquiring a subsidiary, Omega Semiconductor Sdn Bhd; and
  - (ii) the public issue of 102,596,000 new ordinary shares of RM0.10 each at an issue price of RM0.38 each in conjunction with the Company's listing on the Second Board of the Bursa Malaysia Securities Berhad.

The new shares issued rank pari passu in all respects with the existing shares of the Company.





**Notes to the Financial Statements** (Cont'd)  
 for the financial period from 12 march 2004 (date of incorporation)  
 to 31 December 2004

**18. SHARE PREMIUM**

	<b>THE GROUP/THE COMPANY RM'000</b>
At 12.3.2004 (date of incorporation)	-
Public issue	28,727
Listing expenses	(1,427)
	<hr/>
At 31.12.2004	27,300
	<hr/> <hr/>

The share premium is not distributable by way of cash dividends and may be utilised in the manner as set out in Section 60(3) of the Companies Act, 1965.

**19. NEGATIVE GOODWILL**

	<b>THE GROUP RM'000</b>
At 12.3.2004 (date of incorporation)	-
Negative goodwill arising from acquisition of subsidiaries	8,552
	<hr/>
At 31.12.2004	8,552
	<hr/> <hr/>

The amount is not distributable by way of cash dividends.

**20. RETAINED PROFIT**

Subject to agreement with tax authorities, the Company has sufficient tax-exempt income for the distribution of dividends out of its entire retained profits.

**21. DIVIDEND PROPOSED**

	<b>THE GROUP/ THE COMPANY RM'000</b>
Dividend proposed in respect of current financial year: - first and final tax-exempt dividend on ordinary share of RM0.10 each - 1%	730
	<hr/> <hr/>

**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

**22. TERM LOANS**

	<b>THE GROUP RM'000</b>
Current portion:	
- repayable within one year (Note 15)	2,021
Non-current portion:	
- repayable between one and two years	1,867
- repayable between two and five years	1,235
	<hr/>
Total non-current portion	3,102
	<hr/> <hr/>
	5,123

Details of the repayment terms are as follows:-

Term loan	Number of Monthly Instalments	Monthly Instalment RM	Date of Commencement of Repayment	Amount Outstanding RM'000
1	60	38,000	1 July 2001	587
2	72	115,000	1 April 2002	2,755
3	60	10,000	18 March 2004	455
4	60	30,000	18 March 2004	1,326
				<hr/>
				5,123
				<hr/> <hr/>

The weighted average effective interest rate at the balance sheet date for the term loans was 7.33% per annum. The term loans are secured in the same manner as the bankers' acceptances as disclosed in Note 15.

**23. DEFERRED TAXATION**

	<b>THE GROUP RM'000</b>
Acquisition of a subsidiary	3,415
Transfer from income statement (Note 27)	185
	<hr/>
At 31.12.2004	3,600
	<hr/> <hr/>

The deferred taxation relates to temporary differences between depreciation and capital allowances on qualifying cost of property, plant and equipment.

**24. NET TANGIBLE ASSETS PER SHARE**

The net tangible assets per share of the Group is calculated based on the net tangible assets value at the balance sheet date of RM113,704,000 divided by the number of ordinary shares in issue at the balance sheet date of 730,000,000.

**25. TURNOVER**

Turnover of the Group represents the invoiced value of the goods sold less returns and trade discounts.



**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

**26. PROFIT BEFORE TAXATION**

	<b>THE GROUP RM'000</b>	<b>THE COMPANY RM'000</b>
Profit before taxation is arrived at after charging/(crediting) the following:-		
Audit fee		
- for the financial year	22	6
- underprovision in previous financial year	1	-
Amortisation of deferred expenditure	2	-
Depreciation of property, plant and equipment	4,979	-
Directors' non-fee emoluments	161	-
Directors' fee	20	20
Interest expense		
- bank overdraft	86	-
- bankers' acceptances	475	-
- term loans	400	-
Loss on foreign exchange - realised	23	-
Property, plant and equipment written off	46	-
Rental of cylinder	49	-
Staff costs	21,016	-
Dividend income	(25)	(1,000)
Interest income	(28)	(14)
Factory rental income	(359)	-
Gain on disposal of property, plant and equipment	(161)	-
	<u>                    </u>	<u>                    </u>

**27. TAXATION**

	<b>THE GROUP RM'000</b>	<b>THE COMPANY RM'000</b>
Income tax for the financial year	520	-
Deferred taxation (Note 23)	185	-
	<u>                    </u>	<u>                    </u>
	705	-
Overprovision in previous financial years	(36)	-
Reinvestment allowance benefits recognised as deferred asset (Note 9)	(185)	-
	<u>                    </u>	<u>                    </u>
	484	-
	<u>                    </u>	<u>                    </u>

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

	<b>THE GROUP RM'000</b>	<b>THE COMPANY RM'000</b>
Profit before taxation	16,172	971
	<u>                    </u>	<u>                    </u>
Tax at the applicable corporate tax rate - 28%	4,528	272
Tax effects of:-		
Non-deductible expenses	207	12
Non taxable income	-	(280)
Utilisation of reinvestment allowances	(2,514)	-
Unutilised reinvestment allowance benefits recognised as deferred asset	(1,644)	-
Overprovision in prior years - current tax	(36)	-
Others	(57)	(4)
	<u>                    </u>	<u>                    </u>
Tax for the financial year	484	-
	<u>                    </u>	<u>                    </u>

**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 march 2004 (date of incorporation)  
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**28. EARNINGS PER SHARE**

	<b>THE GROUP RM'000</b>
Weighted average number of ordinary shares in issue during the financial period	237,426
Effect of share options	1,803
Adjusted weighted average number of shares in issue during the financial period	<u>239,229</u>
(a) The basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial period.	
(b) The diluted earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue adjusted for all the unissued shares under options granted pursuant to the ESOS.	

**29. ACQUISITION OF SUBSIDIARIES**

The effects of the acquisition of the subsidiaries, OSSB, OSTB and OPPS on the financial results of the Group at the end of the financial period are as follows:-

	<b>THE GROUP RM'000</b>
Revenue	101,632
Cost of sales	(81,581)
Gross profit	20,051
Other operating income	1,427
Operating costs	21,478 (5,306)
Net profit before tax	<u>16,172</u>

The effects of the acquisition of the subsidiaries on the financial position of the Group at the end of the financial period are as follows:-

	<b>THE GROUP RM'000</b>
Property, plant and equipment	60,043
Investment in shares	16,973
Deferred asset	2,904
Inventories	8,057
Receivables	25,221
Cash and bank balances	177
Payables	(15,426)
Short term loans	(16,074)
Long term borrowings	(3,102)
Deferred tax	(3,600)
Group's share of net assets	<u>75,173</u>



**Notes to the Financial Statements** (Cont'd)  
 for the financial period from 12 march 2004 (date of incorporation)  
 to 31 December 2004

**29. ACQUISITION OF SUBSIDIARIES (CONT'D)**

The details of net assets acquired and cash flow arising from the acquisition of the subsidiary are as follows:-

	<b>THE GROUP RM'000</b>
Property, plant and equipment	51,165
Deferred assets	2,719
Investment in shares	10,271
Inventories	10,088
Receivables	25,899
Cash and bank balances	10,280
Payables	(18,090)
Provision for taxation	(97)
Short term borrowings	(13,999)
Long term borrowings	(3,529)
Deferred taxation	(3,415)
	<hr/>
Fair value of net assets acquired	71,292
Reserve on acquisition	(8,552)
	<hr/>
Total purchase consideration	62,740
Satisfied by the issuance ordinary shares	(62,740)
	<hr/>
Add: Cash and bank balances of subsidiaries acquired	10,280
	<hr/>
Net cash inflow from acquisition of subsidiaries	<u>10,280</u>

**30. DIVIDENDS**

Subsequent to the acquisition by the Company, a subsidiary, OSSB declared and paid an interim tax-exempt dividend on ordinary shares amounting to RM2,281,000 to its previous shareholders.

**31. CASH AND CASH EQUIVALENTS**

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	THE GROUP RM'000	THE COMPANY RM'000
Cash and bank balances	38,548	38,370
Bank overdraft (Note 16)	(2,547)	-
	<hr/>	<hr/>
	<u>36,001</u>	<u>38,370</u>

**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 march 2004 (date of incorporation)  
to 31 December 2004

**32. SIGNIFICANT RELATED PARTY TRANSACTIONS**

NAME OF RELATED PARTIES	NOTE	NATURE OF TRANSACTIONS	TRANSACTION VALUE	
			RM'000	RM'000
Hexachase Labels Sdn Bhd ("HLSB")	(a)	Purchases of raw materials - printing materials		196
Hexachase Packaging Sdn Bhd ("HPSB")	(b)	Purchases of raw materials - packaging materials		422
Dominant	(c)	Die sorting charges Sales of OEM products Rental income		5,113 32 359
NAME OF RELATED PARTIES			<b>RECEIVABLE</b> RM'000	<b>PAYABLE</b> RM'000
HLSB	(a)		-	39
HPSB	(b)		-	66
Dominant	(c)		1,878	-
			<u>1,878</u>	<u>105</u>

(a) A company in which:

- (i) Cheam Dau Peng, who is a director and shareholder of the Company, is also a director of HLSB and is deemed to have substantial interest by virtue of his shareholding in Hexachase Corporation Sdn Bhd ("HCSB"), the holding company of HLSB;
- (ii) Lim Thian Soo, who is a director and shareholder of the Company, is deemed to have substantial interest via HCSB by virtue of his indirect substantial shareholding in Mega First Corporation Berhad ("MFCB"), a substantial shareholder of HCSB; and
- (iii) Goh Nan Yang, who is a director and shareholder of the Company, is also a director of HCSB.

(b) A company in which:

- (i) Cheam Dau Peng, who is a director and shareholder of the Company, is deemed to have substantial interest by virtue of his shareholding in HCSB, the holding company of HPSB;
- (ii) Lim Thian Soo, who is a director and shareholder of the Company, is deemed to have substantial interest via HCSB by virtue of his indirect substantial shareholding in MFCB, a substantial shareholder of HCSB; and
- (iii) Goh Nan Yang, who is a director and shareholder of the Company, is also a director of HCSB.

(c) A company in which:

- (i) Tay Kheng Chiong, Lim Thian Soo, Lai Kin Shin and Low Tek Beng, who are directors and shareholders of the Company, are also directors and shareholders of Dominant;
- (ii) Lim Thian Soo is deemed to have substantial interest by virtue of his indirect shareholding in Rubber Thread Industries (M) Sdn Berhad; and
- (iii) Goh Nan Yang is deemed to have substantial interest by virtue of his indirect shareholding in Thames Electronics Sdn Bhd

In the opinion of directors, the above transactions have been entered into in the ordinary course of business on terms established by arm's length negotiations between the parties.



**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 March 2004 (date of incorporation)  
to 31 December 2004

**33. DIRECTORS' REMUNERATION**

The aggregate amount of remuneration received and receivable by Directors of the Group and the Company during the financial period are as follows:-

	<b>THE GROUP RM'000</b>	<b>THE COMPANY RM'000</b>
Executive directors - basic salaries, bonus and EPF	119	-
Non-executive directors - basic salaries, bonus and EPF - fee	42 20	- 20
	<u>181</u>	<u>20</u>

The details of directors' remuneration received/receivable for the financial period in bands of RM50,000 are as follows:-

	<b>THE GROUP</b>	<b>THE COMPANY</b>
Executive directors - Below RM50,000 - RM50,000 - RM100,000	1 1	- -
Non-executive directors - Below RM50,000	<u>6</u>	<u>6</u>

**34. CAPITAL COMMITMENT**

Capital commitment contracted but not provided for in the financial statements:-

	<b>THE GROUP RM'000</b>
Property, plant and equipment	<u>2,198</u>

**35. SEGMENTAL INFORMATION**

There is no segmental information disclosed as the Group generates approximately 100% of its revenue from Malaysia and operates primarily in the semiconductor industry.



**Notes to the Financial Statements** (Cont'd)  
for the financial period from 12 March 2004 (date of incorporation)  
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**36. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

During the financial period, the Company undertook the following corporate exercises in conjunction with its listing on the Second Board of the Bursa Malaysia Securities Berhad:-

- (a) Sub-division of the par value of the ordinary shares from RM1.00 per share to RM0.10 per share.
- (b) Acquisition of the following subsidiaries:
  - (i) acquisition of the entire issued and paid-up share capital of OSSB comprising 4,561,677 ordinary shares of RM1.00 each in OSSB 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 the Company at an issue price of approximately RM0.10 per ordinary share. The acquisition was completed on 13 September 2004; and
  - (ii) 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 RM2.00.
- (c) Public issue of 102,596,000 new ordinary shares of RM0.10 each at an issue price of RM0.38 per share. The public issue was completed on 22 December 2004.
- (d) The establishment of an Employees' Share Option Scheme ("ESOS") by the Company 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 Group.
- (e) On 28 December 2004, the company was successfully listed on the Second Board of the Bursa Malaysia Securities Berhad.

**37. NUMBER OF EMPLOYEES**

The number of employees of the Group at the balance sheet date was 1,249 and there were no employees for the Company at the balance sheet date.

**38. FOREIGN EXCHANGE RATES**

The applicable closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the balance sheet date are as follows:-

	<b>THE GROUP RM</b>
United States Dollar	3.80
Singapore Dollar	2.30



## Notes to the Financial Statements (Cont'd)

for the financial period from 12 March 2004 (date of incorporation)  
to 31 December 2004

### 39. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

#### (a) Bank Balances and Other Liquid Funds and Short Term Receivables

The carrying amounts approximated their fair values due to the relatively short term maturity of these investments.

#### (b) Quoted and Unquoted Investments

The fair values of quoted investments are estimated based on quoted market prices for these investments.

For unquoted investments, it is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined. However, the Group believes that the carrying amount represents the recoverable amount.

#### (c) Short Term Borrowings and Other Current Liabilities

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

#### (d) Long Term Bank Loans

The carrying amounts approximated their fair values as these instruments bear interest at variable rates.

### 40. COMPARATIVE FIGURES

No comparative figures are available as this is the first set of financial statements prepared by the Group and the Company since incorporation.

## List of Properties Held

No	Name of Registered Owner/ Location	Description/ Existing Use	Land Area (Sq Ft)	Built-up Area (Sq Ft)	Approximate Age of Building	Date of Issuance	Tenure	Audited Net Book Value as at 31 Dec 2004 RM'000
1	HS(D) 21091 PT4623 Mukim Bachang Daerah Melaka Tengah Melaka  Postal Address 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	Leasehold 99 years Expiring on 16.02.2091	12,796
2	HS(D) 30783 PT4748 Mukim Bachang Daerah Melaka Tengah Melaka  Postal Address 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	Leasehold 99 years Expiring on 17.09.2094	3301
3	HS(D) 30784 PT4749 Mukim Bachang Daerah Melaka Tengah Melaka  Postal Address 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	Leasehold 99 years Expiring on 17.09.2094	2,785
4	HS(D) 30785 PT4750 Mukim Bachang Daerah Melaka Tengah Melaka  Postal Address Lot 8 8760 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	24,575	23,374	11 years	20.05.1993	Leasehold 99 years Expiring on 17.09.2094	2,616
5	HS(D) 30786 PT4751 Mukim Bachang Daerah Melaka Tengah Melaka  Lot 7 8762 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise	16,631	19,215	11 years	20.05.1993	Leasehold 99 years Expiring on 17.09.2094	1,647



## Statistic on Shareholdings

### Substantial Shareholders

as at 25 March 2005

No	Name of Substantial Shareholder	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1	PRT Capital Pte Ltd	120,152,200	16.46	0	0.00
2	Magna Reserve Sdn Bhd	105,903,927	14.51	0	0.00
3	Omega Riang Sdn Bhd	84,587,805	11.59	0	0.00
4	Dato' Mohammed Azlan bin Hashim	80,609,477	11.04	138,569,512	a 18.98
5	Datin Nonadiah binti Abdullah	32,665,585	4.47	186,513,404	b 25.55
6	Dr Lim Thian Soo	23,740,232	3.25	42,446,870	c 5.81
7	Lim Thiam Cheok	23,640,232	3.24	42,446,870	c 5.81
8	Lim Yam Poh	2,200,601	0.30	42,446,870	c 5.81
9	Lim Yam Chiew	2,200,601	0.30	103,703,739	d 14.21
10	Goh Nan Yang	100,000	0.01	84,587,805	e 11.59

### Directors' Interest

as at 25 March 2005

#### Shares in the Company

No	Name of Director	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1	Dato' Mohammed Azlan bin Hashim	80,609,477	11.04	138,569,512	a 18.98
2	Tay Kheng Chiong	3,908,439	0.54	0	0.00
3	Cheam Dau Peng	7,963,682	1.09	0	0.00
4	Goh Nan Yang	100,000	0.01	84,587,805	e 11.59
5	Dr Lim Thian Soo	23,740,232	3.25	42,446,870	c 5.81
6	Lim Loi Heng	100,000	0.01	0	0.00
7	Wong Meng Tak	100,000	0.01	0	0.00
8	Lim Chong Puang	100,000	0.01	0	0.00
9	Lai Kin Shin (alternate to Goh Nan Yang)	100,000	0.01	0	0.00
10	Low Tek Beng (alternate to Cheam Dau Peng)	100,000	0.01	0	0.00

#### NOTES:

- Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 (shareholdings held through his spouse, Datin Nonadiah binti Abdullah and the latter's shareholding in Magna Reserve Sdn Bhd ("MRSB").
- Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 (shareholdings held through MRSB and her spouse, Dato' Mohammed Azlan bin Hashim)
- Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 (shareholdings held through Kema Development Sdn Bhd, Chin Bee & Sons Sdn Bhd, Mega First Corporation Berhad and Geo-Mobile Asia Sdn Bhd)
- Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 (shareholdings held through Omega Riang Sdn Bhd and Chin Bee & Sons Sdn Bhd)
- Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 (shareholdings held through Omega Riang Sdn Bhd)

Save as disclosed below, there are no other relationship or association amongst the other substantial shareholders and Directors:

- Goh Nan Yang is the brother-in-law of Lim Yam Chiew;
- Lim Yam Chiew, Lim Thiam Cheok, Lim Yam Poh and Dr Lim Thian Soo are siblings; and
- Datin Nonadiah binti Abdullah is the spouse of Dato' Mohammed Azlan bin Hashim.

## Statistic on Shareholdings (Cont'd)

### Thirty Largest Shareholders as at 25 March 2005

No.	Name of Securities Account Holder	No. of shares held	%
1	PRT Capital Pte Ltd	120,152,200	16.46
2	PAB Nominee (Tempatan) Sdn Bhd (account for Magna Reserve Sdn Bhd)	105,903,927	14.51
3	Omega Riang Sdn Bhd	84,587,805	11.59
4	Southern Nominees (Tempatan) Sdn Bhd (account for Dato' Mohammed Azlan bin Hashim)	80,459,477	11.02
5	Southern Nominees (Tempatan) Sdn Bhd (account for Datin Nonadiah binti Abdullah)	32,665,585	4.47
6	Dr Lim Thian Soo	23,740,232	3.25
7	Lim Thiam Cheok	23,640,232	3.24
8	Kema Development Sdn Bhd	21,730,936	2.98
9	Lim Soo Kiow	19,912,414	2.73
10	Chin Bee & Sons Sdn Bhd	19,115,934	2.62
11	Chu Beng Han	16,750,376	2.29
12	Ong Chize Wee	14,906,333	2.04
13	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for the Hwang-DBS Select Opportunity Fund (3969)	9,768,000	1.34
14	A.A. Assets Nominees (Asing) Sdn Bhd Central Allied Investment Ltd	7,833,800	1.07
15	Cheam Dau Peng	7,535,682	1.03
16	Low Swee Cheng	7,014,400	0.96
17	HSBC Nominees (Asing) Sdn Bhd TNTC for DBS Malaysia Equity Fund	7,000,000	0.96
18	Chu Beng Chin	4,957,509	0.68
19	Gary Lim Boon Cheong	4,391,836	0.60
20	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang-DBS Select Small Caps Fund (4579)	4,028,900	0.55
21	Tay Kheng Chiong	3,908,439	0.54
22	Goh Chye Keat	3,815,000	0.52
23	Prima Utama Holdings Sdn Bhd	3,767,841	0.52
24	Employees Provident Fund Board	3,681,900	0.50
25	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang-DBS Dana Izdiyar (4207)	3,510,000	0.48
26	Yu Hong Yan	3,418,748	0.47
27	Wee Hu Shing	3,306,410	0.45
28	Low Swee Cheng	3,179,600	0.44
29	CK Goh Holdings Sdn Bhd	2,700,000	0.37
30	Mary Sze	2,543,264	0.35
	<b>Total</b>	<b>649,926,780</b>	<b>89.03</b>



## Statistic on Shareholdings (Cont'd)

### Analysis of Shareholdings

as at 25 March 2005

Authorised Capital : RM100,000,000 divided into 1,000,000,000 Ordinary Shares of RM0.10 each.

Issued and Paid-Up Capital : RM73,000,000 divided into 730,000,000 Ordinary Shares of RM0.10 each.

No. of Holders	Size of Holdings	Total Holdings	%
3	Less than 100	110	0.00
176	100 to 1,000	163,000	0.02
742	1,001 to 10,000	4,046,700	0.55
395	10,001 to 100,000	14,501,300	1.99
145	100,001 to less than 5% of issued shares	320,185,481	43.86
4	5% and above of issued shares	391,103,409	53.58
1,465	Total	730,000,000	100.00

#### NOTE:

There is only one class of shares in the issued and paid-up share capital of the Company, that is Ordinary Shares of RM0.10 each. Each Ordinary Share entitles the holder to one vote.

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## PROXY FORM

<b>Number Of Shares Held</b>

\* I/We .....  
of.....  
being a Member/Members of D & O VENTURES BERHAD (645371-V), hereby appoint #THE CHAIRMAN OF THE MEETING or Mr/Ms ..... of ..... or failing him/her.....of..... as \*my/our proxy to vote for \*me/us on \*my/our behalf at the First Annual General Meeting of the Company to be held at Berjaya Hall, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 25 May 2005 at 3.00 p.m. or at any adjournment thereof and to vote as indicated below :-

Ordinary Resolution		For	Against
1	Financial statements for the financial period ended 31 December 2004		
2	Declaration of first and final tax-exempt dividend of 1% per share		
3	Re-election of Dato' Mohammed Azlan bin Hashim as Director		
4	Re-election of Tay Kheng Chiong as Director		
5	Re-election of Cheam Dau Peng as Director		
6	Re-election of Goh Nan Yang as Director		
7	Re-election of Dr Lim Thian Soo as Director		
8	Re-election of Lim Loi Heng as Director		
9	Re-election of Wong Meng Tak as Director		
10	Re-election of Lim Chong Puang as Director		
11	Approval of Directors' fee		
12	Re-appointment of Auditors		
13	Authority to Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
14	Authority pursuant to Section 132E of the Companies Act, 1965		
15	Ratification of Recurrent Related Party Transactions of a Revenue or Trading Nature		
16	Shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Please indicate with an "X" how you wish your vote to be cast. In the absence of specific directions, your proxy may vote or abstain at his/her discretion.

# If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.

\* *Delete if not applicable.*

Dated this..... day of ..... 2005

.....  
Signature / Common Seal of member

**Note**

- (1) A proxy may but need not be a member of the Company. A member shall be entitled to appoint a person, whether a member or not, as his proxy to attend and vote at a meeting of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies/Companies Commission of Malaysia.
- (2) A member may appoint up to two (2) proxies to attend and vote at the same meeting and if a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holdings to be represented by each proxy.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- (4) The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office of the Company at No 15, Bukit Ledang, Off Jalan Duta, 50450 Kuala Lumpur not less than forty eight (48) hours before the time appointed for holding the meeting or any adjourned meeting as the case may be.



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The Secretary  
**D & O VENTURES BERHAD**  
(Company No.: 645371-V)  
No. 15 Bukit Ledang  
Off Jalan Duta  
50480 Kuala Lumpur

STAMP

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