5. INFORMATION ON DMB GROUP

5.1 History and Background

DMB was incorporated in Malaysia under the Act on 8 December 2003 as a public limited company under its present name.

DMB is principally an investment holding company while its wholly-owned subsidiary company, DPSB is involved in the manufacturing of Semicon and XLPE compounds for cable and wire and trading of specialty chemicals and related polymer compounds.

5.2 Share Capital

As at 10 June 2005, the authorised share capital of DMB was RM25,000,000 comprising 250,000,000 Shares of which RM13,274,000 comprising 132,740,000 Shares have been issued and fully paid-up. Upon completion of the Public Issue, the issued and paid-up share capital of DMB will be increased to RM18,963,000 comprising 189,630,000 Shares.

As at 10 June 2005, the changes in the issued and paid-up share capital of DMB since its incorporation are as follows:-

Date of allotment	No of ordinary shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
08.12.2003	2	1.00	Subscribers' shares	2
28.05.2005	13,273,998	1.00	Issued pursuant to acquisition of DPSB	13,274,000
01.06.2005	*	0.10	Share Split	13,274,000

Note:-

* *The entire 13,274,000 ordinary shares of RM1.00 each were sub-divided into 132,740,000 shares of RM0.10 each in DMB.*

As at 10 June 2005, DMB did not have any outstanding warrants, options, convertible securities or uncalled capital.

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5. INFORMATION ON DMB GROUP *(Cont'd)*

5.3 Listing Exercise

In conjunction with and as part of the listing of and quotation for the entire issued and paid-up share capital of DMB on the MESDAQ Market, the Company undertook the following exercises involving the following:-

(i) Acquisition of DPSB by DMB

DMB had on 25 February 2004 entered into a conditional share sale agreement to acquire the entire issued and paid-up share capital of DPSB consisting of 6,000,000 ordinary shares of RM1.00 each in DPSB for a purchase consideration of RM13,273,998 after taking into consideration the audited NTA of DPSB as at 31 December 2003 of RM13,273,824 and was satisfied through the issuance of 13,273,998 DMB ordinary shares of RM1.00 each at an issue price of RM1.00 per share.

The 13,273,998 new ordinary shares of RM1.00 each in DMB were issued to the vendors of DPSB as follows:-

Vendors	←-Shareholding in DPSB--→		No of ordinary shares of RM1.00 each in DMB issued as consideration
	No of ordinary shares of RM1.00 each	%	
DCSB	4,200,000	70.00	9,291,798
DYM	840,000	14.00	1,858,360
CNSB	540,000	9.00	1,194,660
Song Tae Chin	420,000	7.00	929,180
	6,000,000	100.00	13,273,998

(ii) Share Split

After the acquisition of DPSB by DMB on 28 May 2005, DMB undertook a sub-division in the par value of its ordinary shares from RM1.00 to RM0.10 on 1 June 2005. Consequently, the issued and paid-up share capital of DMB of 13,274,000 ordinary shares of RM1.00 each was converted to 132,740,000 ordinary shares of RM0.10 each.

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5. INFORMATION ON DMB GROUP *(Cont'd)*

(iii) Public Issue

In conjunction with the Listing of DMB, the following will be undertaken:-

(a) 4,000,000 new DMB Shares representing 2.11% of the enlarged issued and paid-up share capital of DMB will be reserved for eligible Directors, employees, customers, suppliers and persons who have contributed to the success of the DMB Group at an issue price of RM0.23 per Share;

(b) 49,890,000 new DMB Shares representing 26.31% of the enlarged issued and paid-up share capital of DMB will be made available by way of private placement to identified investors at an issue price of RM0.23 per Share; and

(c) 3,000,000 new DMB Shares representing 1.58% of the enlarged issued and paid-up share capital of DMB will be made available for application by Malaysian public at an issue price of RM0.23 per Share.

(iv) Resultant Shareholdings Structure

The resultant shareholdings structure of DMB upon Listing will be as follows:-

	Before Listing	Public Issue	After Listing	
Shareholder	No. of Shares	No. of Shares	No. of Shares	%
Substantial shareholders	132,740,000	-	132,740,000	70.00
Directors, employees, customers, suppliers and persons who have contributed to the success of the DMB Group	-	4,000,000	4,000,000	2.11
Malaysian public	-	52,890,000	52,890,000	27.89

(v) Listing and Quotation

DMB will seek admission to the Official List and the listing of and quotation for its entire enlarged issued and paid-up share capital of RM18,963,000 comprising 189,630,000 DMB Shares on the MESDAQ Market.

The above Listing scheme was approved by Bursa Securities and SC on 11 March 2005 and 10 March 2005 respectively. Details of the conditions imposed by the relevant regulatory authorities are set out in Section 8.1 of this Prospectus.

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5. INFORMATION ON DMB GROUP *(Cont'd)*

5.4 Business Overview

5.4.1 Background

The DMB Group is principally involved in the manufacturing of advanced materials for the power cables and wires industry. Its core products are advanced compounds such as Semicon and XLPE compounds. The DMB Group has strong technology and technical assistance from DYM which itself has been actively involved in the advanced polymer business in Korea and has extensive experience in the research and commercialisation of these products. Over the years, the Group has developed its own in-house research and technical capabilities through its laboratory R&D programs. The R&D conducted in-house over the past few years are as follows:-

(i) Development of peroxide cured Semicon;
(ii) Development of silane cured LV-XLPE compounds;
(iii) R&D of peroxide cured MV-XLPE compounds;
(iv) R&D of jacketing compounds; and
(v) R&D of silane cured Semicon.

These efforts have been further augmented by its collaboration with USM in the field of polymer science. Today, the Directors of DMB believed that the Group is one of the leading domestic R&D companies involved in advanced polymer compounds.

With its research and technical expertise, the Group is now on the verge of developing new advanced materials for application in halogen-free, low-smoke flame retardant cable and HV power cable. Preliminary development plans are also in place to develop new polymers for shipboard cable, subway cable, automotive cable and radiation curing cable in the years to come.

Apart from its emphasis on R&D, quality excellence has also been a key strategic priority for the Group. The Group's continuous adoption of good manufacturing processes has not only allowed it to fulfill customers' increasingly stringent requirements, but it has also helped to forge itself as one of the major suppliers for the cable industry in Malaysia.

To this end, the Group works hand-in-hand with its valued customers to continuously develop better quality and more reliable products that meet the customers' specifications. The Group is committed to upgrading its manufacturing processes and technological expertise. This has resulted in improved efficiency, more consistent product quality and better operating and financial performance.

In 2004, DPSB was one of the winners for the Enterprise 50 Award Programme organised by Small and Medium Industries Development Corporation, Deloitte KassimChan, RHB Bank Berhad and Business Times. This award recognizes the performance of DPSB and the successes it has achieved to-date. DPSB was also awarded the winner of Small and Medium Industries ("SMI") Best Product award category under the SMI Recognition Award Series 2004. In the same year, DPSB was again listed in the Deloitte Technology Fast 500 Asia Pacific 2004 which recognizes the 500 fastest-growing technology companies in Asia Pacific region.

5.4.2 DMB's Group Structure

The group structure and principal activities of the DMB Group are summarised in Section 2.1 and Section 5.6 of this Prospectus.

5.4.3 Products and applications

5.4.3.1 Products

The Group's core product range encompasses advanced polymer materials such as Semicon, LV-XLPE and MV-XLPE compounds. The Group also trades in various other related polymer compounds and specialty chemical products.

The Group's existing products can be generally summarised as follows:

(i) Semicon Compounds

(a) Semicon conductor and bonded insulation shield for medium voltage power cables

This is a cross-linkable Semicon compound of conductor and bonded insulation shielding for power cables. The product has reduced viscosity, very good fluidity and high resistance to scorch. It also has non-staining property when in contact with metal conductors.

(b) Strippable Semicon insulation shield for medium voltage power cables

This is a strippable and cross-linkable compound for insulation of power cables. It is suitable for use in steam or gas continuous vulcanisation lines and is easy to strip over a wide temperature range without leaving any crack or moisture but a clean insulation surface.

(c) Easy strippable Semicon insulation shield for medium voltage power cables

This is a very easy strippable and cross-linkable compound for insulation of power cables. It is suitable for use in steam or gas continuous vulcanisation lines and is easy to strip over a wide temperature without leaving any crack or moisture but a clean insulation surface. It is suitable for long run extrusion without scorch.

(d) Semicon start-up compound for extruder

This is a semi-conductive thermoplastic compound recommended as start-up compound to be used when starting the extrusion of the cross-linkable semi-conductive compound. The compound contains special heat stabilizers to prevent burned PE.

(ii) LV-XLPE Compounds

(a) Siloxane (one-step) silane cross-linkable insulation compound for low voltage power cables

This is a silane cross-linkable compound suitable for insulation of low voltage power cables. The compound is easy to use without premixing and preheating steps. In case of colouring, premixing with colour master batch is required. The compound is sensitive to moisture and the curing process is either by immersion in hot water or sauna.

(b) Sioplas (two-steps) silane cross-linkable insulation compound for low voltage power cables

This is a silane cross-linkable compound based on linear low-density PE suitable for insulation of low voltage power cables. The compound is used in conjunction with 5% of catalyst masterbatch. It offers high degree of cross-linking and a very good environmental stress cracking resistance. It is suitable for use for steam curing lines.

(iii) MV-XLPE Compounds

This is a low-density cross-linkable PE compound suitable for insulation of medium voltage power cables below 30 kilowatt. It has excellent electrical properties for primary insulation and has a very low level of contamination.

(iv) Other Polymer Compounds and Specialty Chemicals

Apart from the primary products, the Group also trades in related polymer compounds and specialty chemicals. These products include, among others, HDPE, MDPE, LDPE, resins, catalysts, pigments, preservatives and other polymers.

While trading presently represents a relatively small portion of the Company's business, it does strengthen the Company's business proposition in that it broadens the Company's earnings stream. More significantly, it also enables the Company to network with a wider spectrum of customers and suppliers in the petrochemical industry. This in turn has enabled the Company to more effectively identify future business opportunities.

5.4.3.2 Applications

The Group's advanced polymer materials are primarily used as key ingredients in the manufacturing of power cables and wires. These materials are themselves derived from a basic chemical compound called PE.

PE has long been widely used as cable insulating and sheathing material. This is principally due to its excellent electrical and mechanical properties, lightness, high low-temperature flexibility and good resistance to moisture, chemicals, ozone, as well as its comparatively lower price. The PE molecules can be cross-linked to produce XLPE, thus greatly improving the thermal and mechanical properties of the material, while its electrical properties are retained largely unchanged.

Semicon compound, on the other hand, is designed for use as shielding material both for conductor and insulation of power cable core. The compound is characterised by its good stress crack resistance, balanced volume resistivity and excellent processability.

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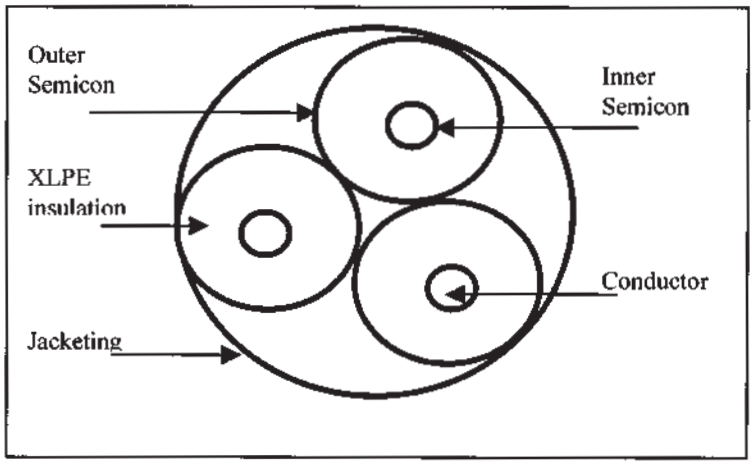
The diagram below illustrates how the Group's products are applied in a power cable:

Cross Section of A Power Cable



5.4.3.3 Brand Names, Patents, Trademarks, Licences, Franchise and other Intellectual Property Rights

Save as disclosed below, the DMB Group does not own any major brand names, trademarks, licences, registered patents, franchise or other intellectual property rights pertaining to the Group.

(i) Trademarks

	Brand	Country/ Trade Mark No	Registrant	Type of Products	Expiry Date
1.	DAYACOM	Malaysia/ 97009612 under provisions of the Trade Mark Act 1976 and the Trade Marks Regulations 1983 by Perbadanan Harta Intelek Malaysia.	DPSB	Synthetic and artificial resins (semi-finished products); semi-processed plastics materials; semi-manufactured products formed from plastics materials; plastic fibres and fibres (not for textile use); synthetic rubber and plastics for use in manufacture; insulating materials; all included in class 17.	15.07.2014

5. INFORMATION ON DMB GROUP *(Cont'd)*

(ii) Manufacturing Licences

	Authority/ Type of Licence	Company	Equity Conditions Impose	Expiry Date	Status of Compliance
	MITI/ Manufacturing licence for Semicon cross linkable PE cable compound and low-voltage cross-linkable PE cable compound	DPSB	(i) At least 70% of the shares in the company shall be held by Malaysians of which at least 30% thereof shall be reserved and the company shall refer to MITI for the allocation of the reserved shares.	N/A	Note
			(ii) shares held by non-Malaysians cannot be sold without the prior written approvals from MITI.	N/A	Note
			(iii) the composition of the board of Directors of the company shall, in general, reflect the equity structure of the company. MITI shall be informed in respect of any appointment of Director or any changes in the board of Directors.	N/A	Note
			(iv) the company shall appoint and train Malaysians so as to have composition of the different races in every level of employee structure.	N/A	Met

Note: MITI has via its approval letter dated 22 April 2004 approved the Listing of DMB which involves, inter-alia, the acquisition of the entire equity interest of DPSB by DMB. Details of the conditions imposed by MITI via its said approval letter is contained in Section 8.1 of this Prospectus.

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5. INFORMATION ON DMB GROUP *(Cont'd)*

(iii) ISO Certification

	Authority/Type Certificate	Company	Equity Conditions Imposed	Expiry Date	Status of Compliance
1.	Lloyd's Register Quality Assurance of the Quality Management System Standards of ISO 9001:2000, EN ISO 9001:2000, BS EN ISO 9001:2000 MS ISO 9001:2000	DPSB	N/A	31.10.2005	N/A

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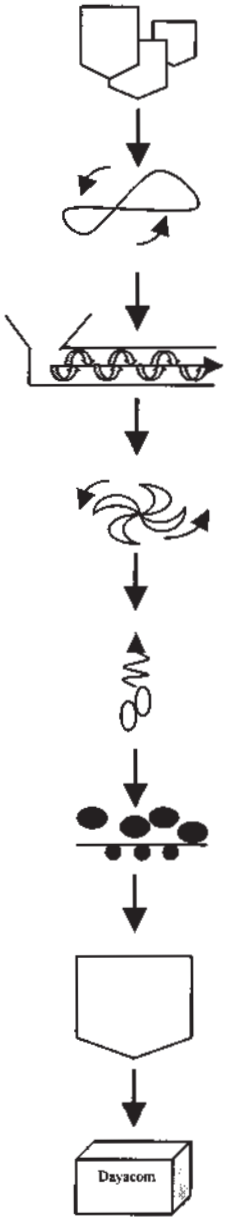
5. INFORMATION ON DMB GROUP *(Cont'd)*

5.4.4 Manufacturing Process

The advanced polymer compounds product process flow charts of the Group are set out below:

FLOW CHART	DESCRIPTION
	**Formulation** Raw materials and chemicals additives are weighted and mixed according to each product formulation. **Mixing and Kneading** The mixtures of raw materials are mixed according to the standard mixing procedure under the specific mixing pattern, pressure, temperature and time. **Extrusion** The melts are extruded according to standard temperature profiles and speed. **Pelletising** The compounds are under-water-pelletized to the size of 3-5mm. **Dehydrating and drying** The pellets are conveyed to the dehydrator to remove the water from the pellets and then the pellets are dried in a dryer. **Classifying** The upper or under-sized pellets are separated out through a classifier. **Storage** The compounds with desired particle size are temporary kept in a packing silo. **Packing** The finished goods are packed and stored in the warehouse ready for despatching.

5.4.5 The DMB Group's Market Share

The Group is presently the only producer of Semicon and MV-XLPE compounds in Malaysia and potentially the primary producer for the entire South East Asia region. *(Source: Independent Market Research Report)* In fact, its competitors in the field are primarily manufacturers based in the US, Europe and Korea whose main focus has been their respective home markets and larger export markets. This has enabled the Group to build up a significant lead in the country and establish its brand name with domestic customers. There are thirteen power cable manufacturers in Malaysia of which nine (9) are currently DPSB's customers. The Group intends to leverage on this leadership position and its strength in product innovation to build similarly successful inroads in such export markets as Indonesia, Thailand, Vietnam, China, India and the Middle East. The Group is also in negotiation with its prospective agents to supply to potential customers in Philippines and Middle East. In this respect, the Group has begun to establish its presence in Thailand, Indonesia, Vietnam, China and India via the appointment of key distributors in these countries. The DMB Group intends to increase its export sales by around 9.9% to 45.3% from 2004 to 2008. To-date, response from these distributors and their respective clients has been promising. Several product trial runs have been successfully carried out by the cable companies in these countries.

5.4.6 Product Development

The Group's primary aim is to consolidate its position as a supplier of advanced materials of choice to the cable and wire manufacturers operating locally and overseas. The Group will focus in improving its production know-how in order to further lower operating costs and create technologically superior products. In addition, it intends to focus its R&D efforts towards developing and acquiring new technical capabilities to venture into other advanced polymer products, particularly for application in halogen-free flame-retardant cable and HV power cable, as set out in the following:

(i) Fire Resistant/Flame Retardant Compounds

This is a non-halogen, low smoke, low-toxic flame retardant material that is used for cable insulation and jacketing application such as telecommunication and power cable which have the following unique properties:

- Halogen Free and Phosphorus Free
- High Resistance to Ignition and Flame Propagation
- Low Smoke
- Low Toxic and corrosive Gas Emission
- Low Heat of Combustion
- Excellent Processibility

A range of Halogen free materials, ideal for flame retardant cable insulation and sheathing are as follows:

- Silane cross-linkable low-smoke low toxicity halogen-free flame-retardant compound, for insulation of LV cables and sheathing of all types of cables.

  The special characteristics include: -

  - ❖ The compound has been specifically developed to meet the requirements of limited toxic/corrosive fume emission
  - ❖ The compound combines good mechanical, electrical and fire retardant properties to meet demanding insulation specifications. The compound can also be used for sheathing of cables requiring high fire retardancy

- Chemically cross-linkable low-smoke low toxicity halogen free flame-retardant compound, for insulation of LV cables and sheathing of all types of cables.

  The special characteristics include:

  - ❖ The compound combines good mechanical, electrical and fire retardant properties to meet demanding insulation specification
  - ❖ The compound can also be used for sheathing of cables requiring high fire retardancy

- Thermoplastic low-smoke halogen-free flame retardant compound for data/communication cable, cable insulation and sheathing.

  The special characteristics include:

  - ❖ A flame-retardant low-smoke thermoplastic compound which has been specially developed to meet the requirements of limited toxic/corrosive fume emission, having good moisture resistance and hot pressure performance
  - ❖ A compound that having low melt viscosity for ease of processing on PVC extruders
  - ❖ A compound that having high fire retardancy as indicated by a high Oxygen Index

(ii) Cross-linkable Semicon Compound For High Voltage Power Cable

This is a cross-linkable Semicon compound for conductor and bonded insulation shielding of high voltage power cable.

The special characteristics include:

- Good Extrusion Property with very smooth surface finished
- Excellent cross-linking characteristics
- Excellent Scorch Resistance
- Good Thermal Stability
- Low Contamination Level

(iii) Cross-linkable PE Insulation Compound for High Voltage Power Cable

This is a low density, cross-linkable PE compound developed for high voltage power cable insulation requiring a high degree of cleanliness. It has an extremely low level of contamination and proper balance of non-staining addictive system with improved compatibility which ensure thermal stability and ease of processing.

The special characteristics include:

- Excellent scorch stability
- Superior Electrical Properties
- Good Heat Resistant
- Excellent Cross-linking Characteristic
- Extremely low contamination level

5. INFORMATION ON DMB GROUP *(Cont'd)*

5.4.7 Principal Market for the DMB Group's Products

(i) Principal Market Segment

Category	Market Segment
Semicon	Local and foreign cable manufacturers
LV-XLPE	Local and foreign cable manufacturers
MV-XLPE	Local cable manufacturers
Specialty chemicals and other polymers	Local petrol chemical suppliers

(ii) Sales by Category of Products

The breakdown of the sales according to the category of products manufactured/traded are as follows:-

	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Semicon	7,284	13,601	16,805	17,071	16,705
LV-XLPE	2,238	1,940	4,267	1,290	7,147
MV-XLPE	-	-	-	-	-
Specialty chemicals and other polymers	-	-	39	4,629	7,182
	9,522	15,541	21,111	22,990	31,034

The breakdown of revenue contribution by local and export markets for FYE 2004 was as follows:-

Markets	Revenue breakdown for FYE 2004 RM'000	%
Local	27,953	90.07
Export	3,081	9.93
	31,034	100.00

For the FYE 2004, sales to the local market contributed the bulk of the DMB Group's revenue, representing 90.07% of the total revenue. Exports represented the remaining 9.93%.

The Group directly exports its Semicon and LV-XLPE to the following countries:-

(i) Indonesia
(ii) Vietnam
(iii) Thailand
(iv) China
(v) India
(vi) The Middle East

5.4.8 Raw Materials

(i) ***Principal Raw Materials***

The principal raw materials used in the manufacturing of Semicon and XLPE compounds for cables and wires include amongst others, carbon black, PE co-polymers and PE.

(ii) ***Availability of Raw Materials***

The principal raw materials are sourced mostly from overseas suppliers (from Korea, US, Japan and France). As at the date of this Prospectus, the Group has not experienced any difficulty in sourcing for these raw materials either from the local or overseas suppliers as these principal raw materials are basic commodities and are readily available in the market. However, raw material prices do fluctuate materially from time to time.

On the average, the Group keeps approximately 1 month of raw materials. It takes about 1 to 9 days and between 7 to 45 days from the date of placing orders with the local and overseas suppliers respectively to the date the raw materials are received by the Group.

Further details on the major suppliers of raw materials for the DMB Group are set out in Section 5.8 of this Prospectus.

5.4.9 Quality Control

Having the highest regard for quality is the cornerstone of the DMB Group's product standards. To ensure the highest products quality, the Group purchases its raw materials, machineries and production equipment only from reputable suppliers. Most of these suppliers are well established and have extensive international customer base and have themselves met international quality standards. The Company has also consistently upgraded its manufacturing facilities to ensure not only superior product quality, but also efficient production and competitive manufacturing cost base.

The Quality Management System of DPSB has been approved and certified by Lloyd's Register since 1999, and the current Management Quality System is in compliance with MS ISO 9001:2000. Further details on the certification is set out in Section 5.4.3.3(iii) of this Prospectus.

5.4.10 R & D/ Product Development

The Group's R&D priorities are presently focused primarily on the following:

(a) Development of new compounds to cater for the changing customer's demands and Government's regulations in the wire, cable and automotive components industries;

(b) Continuous improvement of its existing products to meet or even exceed international standards through process improvements and design innovation efforts to constantly keep abreast of the technological changes and the changing demands of the customers; and

(c) Formulation and development of various intermediate products such as masterbatches, polymer processing aids, stabilizers and polymer additives.

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5. INFORMATION ON DMB GROUP *(Cont'd)*

For the last three (3) financial years ended 31 December 2004, the DMB Group has spent the following amounts on its R&D:

	Financial year ended 31 December		
	2002	2003	2004
	RM'000	RM'000	RM'000
Total R&D expenditure	356	169	384
Proforma consolidated turnover	21,111	22,990	31,034
% of R&D expenditure over total consolidated turnover	1.7%	0.7%	1.2%

The Group is significantly expanding its development resources at present and for the next five years. The Group's future plans and product milestone are embodied in its Five (5)-Year Business Development Plan, which is summarised in Section 7 of this Prospectus.

Presently, the R&D team is headed by the General Manager, Ng Eik Hock, who is responsible for monitoring the development progress of the R&D projects. He is assisted by a team of five staffs, of which three of the staffs have more than eight years of working experience in the polymer industry. The Group's Technical Director, Song Ha Hyung, is responsible as an ad-hoc internal advisor to the R&D team while external expert is retained for consultancy purposes and to undertake research and technical projects.

Apart from its long-standing strategic alliance with its technical partner in Korea, the Group has a well-equipped R&D laboratory, which houses a broad range of compounding machines, physical testing and analytical equipment, amongst others.

Currently, the existing in-house R&D laboratory carries out physical tests on its products to determine physical, mechanical, thermo-mechanical and processing properties of the raw materials and their end products. This in-house laboratory enables the Group to perform various tests such as density, tensile & elongation, hardness, aging, extrusion test, hot creep test, trace moisture, polymer conductivity, melt & rheological characteristics, degree of cross linking, dispersion, and flammability test.

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5. INFORMATION ON DMB GROUP *(Cont'd)*

In addition, the Group's technical collaboration with USM involving technical discussions and participation of a professor from this university since 2003 has enabled the Group to expand its R&D activities by gaining access to more advanced equipment and technical expertise. This collaboration has sharpened the Company's R&D focus and resulted in the development of improved products. Such R&D activities include the following:-

Activities	Description	Purpose
Polymer Characterisation	Extensive fundamental analytical studies	To provide deeper understanding of structure-property relationship in polymer
Fractionation	Separation of macromolecules according to their molar mass, chemical composition of micro-structural parameters	To provide detailed information on polymer structure
Fourier Transform Infra Red Spectroscopy	Infra red radiation to induce vibration of molecules and molecular segments	To carry out qualitative analysis of polymers which include indentifying the various polymer phases
Scanning Electron Microscopy	Scanning of polymer surface using focused electron beam	To study the surface morphology and three dimensional image of the polymer sample
Optical Microscopy	Light microscopy using a variety techniques which include transmission, reflected light, dark field, polarized lights, phase contrast and interference contrast microscopy	To study material morphology which include polymer composition such as multiple polymer phases, sizes, shapes of the particles and overall characteristics of the individual particles
Thermal Analyses	Application of heat on polymer sample	To provide information on the response of the polymer to temperature including polymerization, thermal stability, physical dimension or chemical change

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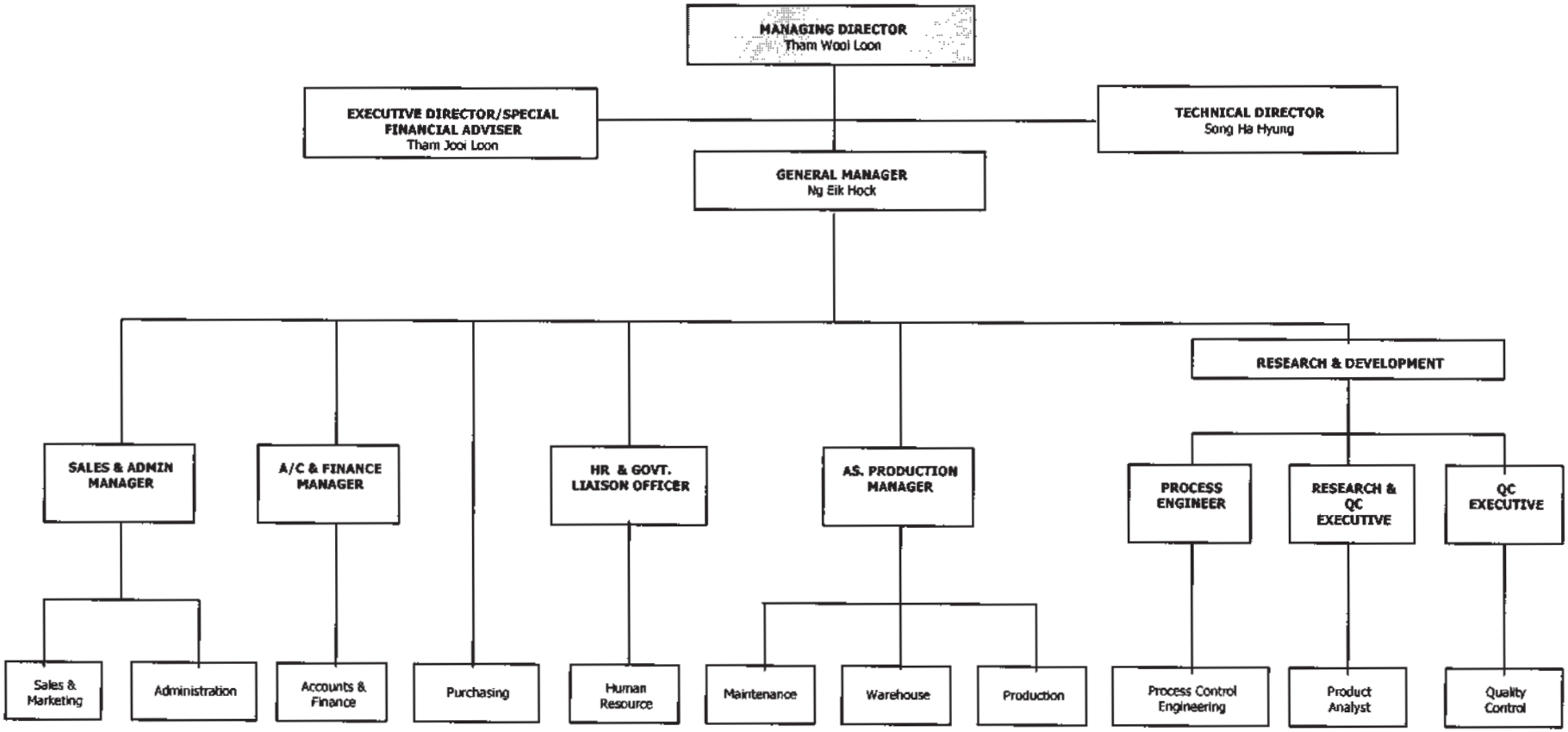
5. INFORMATION ON DMB GROUP *(Cont'd)*

5.4.11 Management Succession Plan

The management team of the Group is structured out as follows:



The Group recognizes that one of the main concerns of any business is how to effect an orderly and affordable transfer of the business to the next generation or a key employee. Failure to plan for orderly business succession can result in both monetary losses, and even loss of the business itself.

The Group believes that succession planning should begin early, by identifying the right person to take over control based on ability, experience and inclination for the job. Ideally, a successor should come into the company on a career ladder, with several years' of work experience outside it, so he or she brings with him or her the right mix of expertise and experience and is able to add value to the business. He or she will need some training to develop the necessary skills and abilities including:

- Leadership
- Team-building skills
- Effective decision making

In addition, the Group believes that one of the best ways to accomplish this goal is to begin transferring such loyalty by introducing business partners to younger key personnel and by shifting some of the responsibilities connected with such accounts to those key personnel. Getting business partners to be comfortable doing business with the "next generation" of key personnel with no change in corporate culture and philosophy is the key to not only maintaining, but also enhancing on-going business relationships.

The Group recognizes that succession planning is a continuous process at all key levels - one which requires attention over a period well before the existing key personnel retire. The Group therefore maintains and regularly updates a working plan to ensure that future management succession is carried out in an orderly and systematic manner.

5.4.12 Interruption/Disruption in Business

The Group did not experience any disruption in business which had significant effects on its operations for the past twelve months prior to the date of this Prospectus.

5.4.13 Methods of Distribution

The Group's marketing philosophy has always been to deliver quality products and services to its customers at competitive prices on a timely basis. The Group sells its products primarily to local cable manufacturers. With its expanding production capabilities, it is currently targeting export markets such as Indonesia, Vietnam, Thailand, China, India and the Middle East and other countries in South East Asia. Exports will in fact represent one of the key drivers of its overall growth strategies. To this end, the Group has appointed agents and distributors in some of these targeted export markets, namely Indonesia, Vietnam, Thailand, China and India. The Group is also in negotiation with prospective agents to supply to potential customers in Philippines and Middle East.

The Company believes that with this diversity of marketing channels, it will be able to reach its target markets in the most efficient and effective manner while reducing its reliance on any single channel.

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5. INFORMATION ON DMB GROUP *(Cont'd)*

5.4.14 Production Capacities and Output of the DMB Group

The summary of the monthly production capacity based on the FYE31 December 2004 are as follows:-

Products	Average Monthly Maximum Capacity *	Average Monthly Utilised Capacity #	%
Semicon	260 MT	155 MT	59
LV-XLPE	300 MT	110 MT	37
MV-XLPE	180 MT	N/A	N/A

Notes:-

* *Based on 624 working hours per month and 26 working hours per day.*

\# *Based on the monthly average utilised capacity for the financial year ended 31 December 2004.*

N/A *Commercial production for MV-XLPE is only expected to commence by mid of 2005.*

5.4.15 Location of Principal Place of Business and Production Facilities

Location	Description of Use by DMB Group
1744, Jalan Industri Dua Taman Industri Bukit Panchor 14300 Nibong Tebal Penang	(i) Office; and (ii) Factory

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5. INFORMATION ON DMB GROUP *(Cont'd)*

5.5 Industry Overview

5.5.1 Overview of Malaysian Economy

The Malaysian economy expanded by 7.1% in 2004, the fastest growth since 2000. The economy benefited from both stronger external and domestic demand.

Notwithstanding some moderation in global growth in the second half of the year, the Malaysian economy remained resilient with the private sector continuing to be the principal driving force of domestic economic expansion. In 2004, the Government progressed further in fiscal consolidation. The overall Federal Government deficit declined to 4.3% of GDP in 2004 (2003: -5.3%). The Government, while consolidating, remained supportive of growth with policies targeted at enhancing the business environment for the economy.

All sectors registered positive growth during the year except construction. In the manufacturing sector, both export- and domestic-oriented industries expanded strongly with high capacity utilisation, in line with the upturn in the global electronics cycle as well as stronger domestic demand. The services sector experienced a stronger expansion, driven mainly by higher consumer spending amidst rising disposable incomes as well as higher tourist arrivals and increased trade-related activities.

The prospects for the Malaysian economy in 2005 remain sound. Real GDP is expected to expand by 5 – 6%. The sustained global growth, the modest downturn in the global semiconductor industry as well as relatively favourable prices for primary commodities are expected to provide support to export growth.

In the domestic economy, the private sector would remain as the main driver of growth, as the Government remains committed to optimising expenditure in order to strengthen the fiscal position. In particular, private sector expenditure is projected to sustain a strong expansion of 8.7% (11.1% in 2004). Both household consumption and business outlays are projected to remain resilient, thereby cushioning some of the effects of lower public investment spending arising from the Federal Government's gradual fiscal consolidation programme.

The manufacturing sector, which accounts for about a third of total private sector investment, is projected to record a strong positive growth for the third consecutive year. The strongest growth in capital spending is expected in the services sector, particularly in the utilities and telecommunications sub-sectors. Growth in the services sector is projected to be sustained at 5.7%, reflecting expansion across all sub-sectors.

With the core inflation projected to remain low in 2005 (1.8%), monetary policy is able to remain supportive of the further expansion in private sector activities.

(Source: Independent Market Research Report)

5.5.2 Overview of Polymer Insulation for Power Cable Industry in Malaysia

The polymer insulation industry is dependent on the cable industry and the feedstock of PE. For the period between 1998-2002, the local production of PE increased by 9.6%, the imports of PE similarly rose by 6.5% as consumption increased by 8.5%. The increase in local consumption of PE was due to the local Electric and Electronics ("E&E") industry rebound, which uses it to produce plastic components.

PE exports from Malaysia also witnessed an increase of around 73.2 percent in 2003 vis-à-vis 2002 due to a rise in global demand. This caused a shortage in the local supply of PE in 2003. However the situation improved in 2004 with the increase in the local production of PE, the petrochemical industry was less dependent on imports. This resulted in a decline in imports by around 7.8 percent in 2004 and there was no shortage of PE in this period.

Polymer, being a commodity, is highly price elastic to changes in supply. A small reduction in supply or shortage could cause prices to rise disproportionately. In turn this had caused polymer insulation prices to go up in tandem with the price of PE.

Due to the application of advance technology, high capital expenditure, long gestation in getting product certification, price sensitivity to feedstock and relative small size of the domestic market, DPSB has been the sole local producer for polymer insulators of Semicon and MV-XLPE in 2004.

There are thirteen major power cable manufacturers in Malaysia. Based on feedback of cable manufacturers, all nine (9) of these players are equipped with the necessary equipment such as the Catenary Continuous Vulcanization machines to incorporate polymer compounds (both Semicon and XLPE) into its manufacturing process of power cables. Based on Independent Market Research Report, DPSB serves as the sole supplier for polymer insulators for all nine (9) of these power cable manufacturers.

In addition, based on the expected compound annual growth rate of 13.7 percent, the following table presents the market size and forecast for the polymer insulators for the period of 2004 to 2009.

Year	Semicon Revenues (RM)	LV-XLPE Revenues (RM)	MV-XLPE Revenues (RM)
2003	25 million	45 million	50 million
2004	28 million	51 million	57 million
2005	32 million	58 million	65 million
2006	37 million	66 million	74 million
2007	42 million	75 million	84 million
2008	48 million	86 million	95 million
2009	54 million	97 million	108 million

In terms of revenue, MV-XLPE is the highest, registering around 45% in 2004 of the market share of the polymer insulators used in power cables. The expectation of higher demand and volume provided by MV-XLPE is the prime rationale for DPSB to target and venture into this segment in Malaysia. For further details, please refer to Section 12 of this prospectus.

(Source: Independent Market Research Report)

5.5.3 Challenges facing the Malaysian Polymer Market

The entry of China into the World Trade Organization ("WTO"), its emergence as an engine of growth in Asia, its inexhaustible reservoir of both skilled and unskilled labour supply and its recognition as the manufacturing workshop of the world have cause both seismic upheavals and a paradigm shift in the economies in the region, especially in the manufacturing sector. This includes the relocation of many manufacturing industries from South East Asia to the mainland recently. By 2000, nearly 400 of the Fortune 500 companies had invested in over 2,000 projects in China. In 2002, about 56 percent of the USD95 billion of Foreign Direct Investment ("FDI") inflows to Asia went to China, making it the largest recipient of FDI in the region.

During the last ten years, China was the largest recipient of FDI among the developing countries. Post-1997, South East Asia is no longer attractive to foreign investors, with the free fall of currencies, stocks and property values. In other words, South East Asia is losing its lustre compared to North East Asia, among the foreign direct investors. China's willingness to tackle structural reforms is giving it the edge over the South East Asian countries in attracting foreign funds. In addition to low costs and a huge market, China offers abundant land and a rapidly improving infrastructure. In 2000, China overtook Taiwan in the production of Information Technology ("IT") hardware and Japan in the production of electrical products.

The use of PE to make plastic components to support the IT and E&E industry in China is expected to further increase the price of feedstock for polymer manufacturers. The impact of this factor is anticipated to increase as less manufacturing activities in the region translate into relatively lesser demand for resin compounds over the forecast period.

Given the relatively small size of the domestic market as compared to such developed markets in the US and Europe, the domestic manufacturers of polymer compounds in Malaysia are to some extent limited in how much they can grow. In the past, this did not really pose a problem to DPSB as it was relatively small and its emerging operation could only allow them to cope with the requirements of the domestic market. However, as the company grows rapidly over the years and becomes the market leader in the domestic semi conductive market, the need for the company to identify growth areas become critical.

The technology that goes into power cable insulators is composed of high-tech research and development. As the manufacturing sector is expected to be one of main engine of growth for Malaysia, it is expected that the trend of using HV cable with 500kV capacity is to increase post national Industrial Plan 2 which will be ending in 2005. In the light of this view, perhaps it can be envisaged that Malaysia will have to upgrade to 1000kV power cables. This is most probable if it is to achieve its endeavours of becoming a power hub in this region by providing electricity for neighbouring countries such as that of Indonesia, Singapore and Thailand. Therefore it is important for DMB to continuously identify new polymer insulator technology to meet the future HV cable segment. This factor is expected to have a low impact in the first four years and probable increase at the end of the forecast period.

The increase in price for PE has led to the increase in the price of feedstock for DPSB. The increasing price of feedstock is due to the naphta-based petrochemical prices that fluctuate in tandem with oil and gas prices. Further, the increasing demand for PE from China has led to poly-chemical producers to further increase their operating capacity, thereby incurring higher cost and passing the burden to end-consumers resulting in higher prices of feedstock.

New found uses of polymers such as for the production of lens holders for optical pick up parts in CD-ROM DVD drives, heat-resistant automobile headlamp parts and the newly developed foldable polymer active-matrix display for laptops, PDA and desktops; will further push the prices of feedstock higher in the future as demands will exceed supply. The impact of this factor is expected to be high throughout the forecast period. However, due to none-availability of cheaper alternative, cable companies are more than willing to absorb the increase in price for locally produced Semicon and MV-XLPE.

(Source: Independent Market Research Report)

To the best knowledge and belief of the Directors and management of the DMB Group, they are not aware of any substitute for Semicon and XLPE insulators.

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5. INFORMATION ON DMB GROUP *(Cont'd)*

5.5.4 Government Regulations, Policies and Incentives

The Malaysian Government, through MIDA, is highly dedicated towards implementing supportive government policies to make Malaysia an attractive manufacturing and export base in the region. Therefore, certain incentives are granted by the Malaysian Government to encourage investments in the manufacturing sector such as the chemical and petrochemicals industry which includes the cable compounds industry. Some of these policies and incentives are as outlined below:-

(i) Liberal Equity Policy

Effective from 17 June 2003, 100% foreign equity holding is allowed for all investments in projects, as well as investments in expansion/diversification projects by existing companies irrespective of their level of exports, and without any product/activity being excluded.

(Last updated : Thursday, 10 March 2005)

(ii) Pioneer Status

A company granted Pioneer Status enjoys a five (5) year partial exemption from the payment of income tax. The company pays tax on 30% of its statutory income, with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).

(iii) Reinvestment Allowance (RA)

All manufacturing companies that had operated for twelve (12) months or more and incur qualifying capital expenditure for projects of expansion, modernisation, upgrading facilities, diversification as well as automation, are given RA up to 60% of its qualifying capital expenditure which can be used to offset against 70% of its statutory income for the year of assessment. Any unutilised RA can be carried forward to subsequent years until fully utilised. The RA will be given for a period of fifteen (15) consecutive years beginning from the year the first reinvestment is made.

(Last updated : Wednesday, 20 April 2005)

(Source: www.mida.gov.my)

Imports

The imports of polymer insulators for power cables are taxed at the rate of 30 percent. This is to protect the local producers, as well as to curb on currency outflow. The shelf life of polymer insulators is between six (6) to twelve (12) months, depending on the material and the storage facility. Therefore, the cost of imported polymer insulators is expected to be dearer than the locally produced ones.

(Source: Independent Market Research Report)

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No Objection Letter

According to the Directors of DMB, it is a requirement that the cables and wire manufacturers seeking import on their polymer insulators to write to certain major local polymer insulators producers (including DPSB) to request for a NOL with regards to their proposed imports. Therefore, if such request for NOL is rejected, these cable and wire manufacturers will not be able to seek import duty waiver on their imported polymer insulators. However, import tax exemption can be applied to MIDA if a cable and wire manufacturer is able to prove that there is shortage of the local supply or if the local supply did not meet the specific power cable requirements. This regulatory compiled in the latest Malaysian Trade Classification and Customs Duties Order works to the advantage of the DMB Group as the government encourages local cable and wire manufacturers to procure polymer insulators from the local producers.

5.5.5 Major Industry Drivers

Domestic consumption of electricity is expected to rise in tandem with private consumption. Based on official Government statistic, private consumption has been resilient in 2003 compared to 2002, registering a faster pace of growth by 5.2% compared to 4.4% in previous year. Based on Tenaga Nasional Berhad's ("TNB") latest available results in 2004, the domestic consumption has increased by 6.5 percent to 12.5 million KWh in 2004 as compared with 11.8 million KWh in 2003. Private consumption is expected to rise even more due to improve conditions of local and world economy.

(Source: Independent Market Research Report)

According to the Directors of DMB, the anticipated increase in electricity consumption in the country will spur the development and investments in new power transmission and distribution lines in both residential and industrial areas. These investments will in turn result in higher and more sustained demand for power cables in the future. Hence, the demand for DMB Group's products is expected to increase in line with the demand for power cables.

Besides, a large proportion of the local cable network has been in place for many decades. Power transmission and distribution cables have a very long working life but as they grow older, repair and maintenance work inevitably becomes more important and costly. The replacement of existing cables that have been damaged or need repair is growing in importance and is an important component of overall demand in the power cables market.

Under the Eighth Malaysia Plan (2001-2005), both the transmission and distribution systems will be further strengthened to enhance reliability and efficiency. In 2000, the transmission network capacity possessed 885 circuit kilometres of 500kV; 6,682 circuit kilometres of 275kV; 9,253 circuit kilometres of 132kV and 482 circuit kilometres of 66kV.

By 2005, these figures are anticipated to increase to 1,300 circuit kilometres of 500kV; 10,679 circuit kilometres of 275kV and 10,495 circuit kilometres of 132kV, while the 66kV network is being reduced down to 116 circuit kilometres. These figures represent compound annual growth rate of 7.9 percent, 9.8 percent, 2.6 percent and -24.8 percent, respectively, during this period. Clearly, the trend is towards higher voltage capacity.

Similarly, the distribution network is expected to be expanded and upgraded to improve coverage, reliability and customer services. In 2000, the distribution network capacity had 8,857 circuit kilometres of 33kV; 4,018 circuit kilometres of 22kV and 183,605 circuit kilometres of 11kV. By 2005, the figures are expected to be 16,820 circuit kilometres; 100 circuit kilometres and 357,733 circuit kilometres, respectively. These figures correspond to compound annual growth rate of 13.7 percent, -52.2 percent and 14.3 percent, respectively. Obviously, the trend is towards the 33kV and 11kV capacities.

The rural electrification programme is one of the Malaysian Government's strategies to uplift the socio-economic standings of the rural population. During the period 2003 to 2004, a total of 62 projects were completed by TNB, benefiting nearly 4,000 households at a cost of more than RM10 million. The impact of this factor is expected to remain constant during the forecast period, as the programme is expected to continue in the short to medium term ensuring all rural areas are electrified.

TheUS-led invasion of Iraq had to some extent left most of the Islamic nation boycotting US made products. This has also led to new resolution being drafted in the last OIC Summit held in Putrajaya in 2003. As a result, Islamic countries are now into substituting US products with one from other countries with priority given to Islamic countries. As such Iran businessmen have aggressively looked for opportunities in countries like Indonesia and Malaysia. Presently, DPSB already entered into negotiation with agents and trade distributors from Iran. The impact of such factor is expected to grow steady in throughout the forecast period, as Malaysia gain wider acceptance and recognition of its product and services among the OIC member countries.

Currently, competition comes mainly from global players such as Dow Chemical Pacific Pte. Ltd (US) and Borouge Pte. Ltd (Europe) *(formerly known as Borealis Singapore Pte. Ltd.)*. In the past, Korea has been a key source of polymer insulators before the setting-up of DPSB, as Korea represents a cheaper alternative to western compounds. However, after the setting-up of DPSB in 1994, all imported polymer insulators are subjected to 30% tax, thus reducing the attractiveness of these imported compounds. Exemption can be applied to MIDA, only if a cable manufacturer is able to prove that there is a shortage of the local supply or if the local supply did not meet the specific power cable requirements.

Moreover, domestic power cable manufacturers are increasingly adopting JIT production technique to lower their own production costs. As a result, they require their suppliers to deliver key materials for the production of cables on short notice. As the only local producer of Semicon, only DPSB is able to meet such a requirement, as importation of materials will inevitably require time for shipment. In addition, imported materials also entail added costs in the form of transportation, insurance and storage. All these considerations have given DPSB a significant competitive edge over its foreign competitors.

(Source: Independent Market Research Report)

5.5.6 Industry Outlook

As the capacity utilisation increases in the manufacturing sector and the inventory levels decreasing, it is expected that there would be more manufacturing activities leading to increase employment as well as a strengthening of both consumer sentiments and business confidence. This is expected to translate to a more vibrant Malaysian economy.

In light of this and the fact that DPSB remains as the sole producer for Semicon and MV-XLPE in Malaysia and potentially the primary producer for the entire South East Asia, coupled with the growth prospects of the polymer insulators market at compound annual growth rate of around 13.7 percent throughout the forecasted period make this an attractive proposition for DPSB.

(Source: Independent Market Research Report)

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5. INFORMATION ON DMB GROUP *(Cont'd)*

5.6 Subsidiary Company

DPSB

DPSB, a wholly-owned subsidiary of DMB, was incorporated in Malaysia under the Act on 21 November 1994 as a private limited company. DPSB is principally involved in manufacture of cross linking Semicon cable compound and low voltage cross linking cable compound. DPSB commenced its operations on 26 April 1995.

As at 10 June 2005, the authorised share capital of DPSB was RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each of which 6,000,000 shares have been issued and fully paid-up.

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

Date of allotment	No of ordinary shares allotted	Par Value RM	Consideration	Cumulative issued and paid-up share capital RM
21.11.1994	2	1.00	Subscribers' shares	2.00
30.08.1995	2,999,998	1.00	Cash	3,000,000.00
20.12.1996	1,500,000	1.00	Right Issue	4,500,000.00
06.07.2001	1,500,000	1.00	Bonus Issue	6,000,000.00

As at 10 June 2005, DPSB did not have any outstanding warrants, options, convertible securities or uncalled capital. In addition, DPSB has no subsidiary or associated companies.

5.7 Major Customers

The Group is not wholly dependent on any one customer. The Group's top ten (10) customers for the financial year ended 31 December 2004 are as follows:-

Customers	Length of Relationship	% of Turnover for the financial year ended 31 December 2004
Leader Cable Industry Berhad	9 years	21.17
Universal Cable (M) Berhad	9 years	16.13
GME Chemicals (M) Sdn Bhd	2 years	12.75
Pentamaster Engineering (M) Sdn Bhd	1 year	10.39
Tenaga Cable Industries Sdn Bhd	4 years	7.86
Federal Power Sdn Bhd	6 years	6.88
Fujikura Federal Cables Sdn. Bhd.	4 years	5.13
Central Cables Berhad	9 years	3.42
PT Sumi Indo Kabel TBK	2 years	2.97
Olympic Cable Company Sdn Bhd	8 years	2.89

5. INFORMATION ON DMB GROUP *(Cont'd)*

5.8 Major Suppliers

The Group does not wholly depend on any one suppliers. The Group's top ten (10) suppliers as at 31 December 2004 are as follows:-

Major Suppliers	Length of Relationship	% of Purchases for the financial year ended 31 December 2004
Polyethylene Malaysia Sdn Bhd	4 years	20.73
Accot Technologies Sdn Bhd	2 years	16.63
Organic Green Sdn Bhd	1 year	13.35
Atofina (M) Sdn Bhd	9 years	9.83
JJ Degussa, Korea	9 years	8.01
Mitsui & Co. Ltd, Japan	5 years	5.87
Cominet Corporation, Korea	9 years	5.83
Cabot Corporation, USA	7 years	3.13
T'Quan Enterprise	2 years	2.98
Marubeni Corporation, Japan	3 years	2.42

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5. INFORMATION ON DMB GROUP *(Cont'd)*

5.9 Summary of Landed Property

As at 10 June 2005, details of the landed property of the DMB Group are as follow:-

Registered Owner /Beneficial Owner/ Location	Description/ Existing Use/Restriction in interest	Land/ Built-up Area	Approximate Age of Building (year)	Tenure/ Encumbrances	(A) Audited Net Book Value ("NBV")@ 31.12.2004 (RM'000)	Date of Certificate of Fitness	(B) Market Value (RM'000)	(B) & (A) Revaluation Surplus/(Deficit) Based on NBV @ 31.12.2004 (RM'000)	Date of Valuation
Freehold land and Building									
DPSB* No.1744Jalan Industri Dua, Taman Industri Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang erected on Lot No.2795, Mukim 7, Daerah Seberang Perai Selatan, Pulau Pinang held under Geran Pendaftaran 59361	Industrial land** with two (2) blocks of factory buildings erected thereon/ Industrial/ None	12,671sq.m. (136,394 sq.ft)/ 3,672 sq.m. (39,526 sq.ft)	7	# Freehold/ Charged to EON Bank Berhad and leased part of the said property to Tenaga Nasional Berhad	4,586	17.11.1997	4,400	(186)	15.12.2003
	Extension-*** New office and warehouse building	12,671sq.m. (136,394 sq.ft)/ 792 sq.m. (8,525 sq. ft)	Not applicable	As per above #	1,259	Not applicable	Not applicable	Not applicable	Not applicable
Total					**5,845**				

The valuation of the abovementioned property of DMB Group is included in this Prospectus for information purposes only. The above valuations do not require the approval of the SC.

The revaluation deficit as computed based on the net book value of the above property as at 31 December 2004 was not incorporated in the financial statements of the subsidiary company of DMB for the financial year ended 31 December 2004.

Notes:-

* *Pursuant to a sale and purchase agreement dated 27 March 2003 between DCSB and DPSB, the full purchase price of RM1.5 million for the land has been paid by DPSB to DCSB. The building was constructed in 1997 as per the date of Certificate of Fitness For Occupation.*

** *There is no breach of land use condition nor any non-compliance with the Building Regulations.*

*** *The extension is expected to be completed in first half of 2006. Therefore, it is excluded from the valuation of property carried out on 15 December 2003. The Company had via its letter dated 23 June 2005 undertakes to procure the relevant approvals on the development plan and the certificate of fitness by first half of year 2006 for the said building extensions.*

5. INFORMATION ON DMB GROUP *(Cont'd)*

5.10 Acquisition of Landed Properties during the Past Two (2) Years

There were no transactions in respect of acquisition of new landed properties by the Group during the two (2) years preceding the date of this Prospectus.

5.11 Future Plans, Strategies and Prospects

5.11.1 Future Plans

The Group will continue to concentrate and expand on its core competencies in the design and manufacture of advanced polymer materials for cable and other related industries. The Group believes that with its sustained emphasis on R&D and technological leadership, it will be able to tap into the opportunities offered by local and the international markets.

With progressive development and enhancement in products and designs, manufacturing technologies, technical expertise and distribution channels, coupled with a ready access to the capital markets, the DMB Group will be in the forefront of advanced polymer materials industry. The Group's principal strategies encompass:

(i) product range expansion
(ii) expanding its R&D team
(iii) increasing its clientele base/overseas market expansion

(i) Product Range Expansion

The Group's primary aim is to consolidate its position as a supplier of advanced materials of choice to the cable and wire manufacturers operating locally and overseas. The Group will focus on improving its production know-how in order to further lower its operating costs and create technologically superior products. In addition, it intends to focus its R&D efforts towards developing and acquiring new technical capabilities to venture into other advanced polymer products, in particularly for application in halogen-free flame-retardant cable and HV power cable. The halogen-free flame-retardant cable, Semicon for HV cable and insulation for HV cable are targetted to be completed in years 2006, 2007 and 2008 respectively. The initial target market will be the Group's existing domestic customers and will be further extended to ASEAN countries, China and Middle Eastern countries in the following years.

(ii) Expanding its R&D Team

The Group has substantial development resources. Apart from its long-standing strategic alliance with its technical partner in Korea, the Group has a well-equipped R&D laboratory, which houses a broad range of compounding machines, physical testing and analytical equipment.

The Group will also continue with its technical collaboration with USM to expand its R&D activities by gaining access to more advanced equipment and technical expertise.

(iii) Increasing its Clientele Base/Overseas Market Expansion

In order to expand its clientele base and market shares in the export markets, the Group has appointed agents and distributors in some of the targeted export markets such as Indonesia, Vietnam, Thailand, China and India. In addition, the Group is also negotiating with two agencies in Philippines and Middle East. The Group will also ensure continuous supply of quality products to its customers at competitive prices on a timely basis.

5. INFORMATION ON DMB GROUP *(Cont'd)*

5.11.2 Prospects

The demand for DMB Group's advanced polymer compounds is driven, to a large extent, by the demand for power cables as these compounds form the key ingredients in the production of power cables. In light of this, and the fact that DPSB remains the sole producer for Semicon and MV-XLPE in Malaysia and potentially the primary producer for the entire South East Asia, the prospects for local producers of polymer insulators is forecasted by Frost & Sullivan (M) Sdn Bhd to grow by 13.7% over the next 5 years.

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