

10. ACCOUNTANTS' REPORT



MEMBER FIRM OF
MALAYSIAN INSTITUTE OF ACCOUNTANTS

OWEN KOH & ASSOCIATES

(FIRM NO. AF 0043)

CHARTERED ACCOUNTANTS

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22 July 2004

The Board of Directors,
DPS Resources Berhad,
195-B Taman Melaka Raya,
75000 Melaka.

Dear Sirs,

ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by Owen Koh & Associates, approved company auditors, for inclusion in the Prospectus of DPS Resources Berhad (hereinafter referred to as "DPS Resources" or "the Company") in connection with the following:

(i) Public Issue

Public issue of 11,500,000 new ordinary shares of RM0.50 each in DPS Resources at an issue price of RM0.75 per share.

(ii) Offer for Sale

Offer for sale of 11,000,000 ordinary shares of RM0.50 each in DPS Resources at an offer price of RM0.75 per share.

(iii) Listing of and Quotation for DPS Resources Shares

Listing of and quotation for the entire enlarged issued and paid-up share capital of DPS Resources comprising 120,000,000 ordinary shares of RM0.50 each on the Second Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysian Securities Exchange Berhad) ("Bursa Securities").

2. GENERAL INFORMATION

(i) **The Company**

DPS Resources was incorporated as a private limited company under Companies Act, 1965 on 9 October 2003. It was converted to a public limited company on 3 November 2003.

The principal activities of DPS Resources is that of an investment holding company and management company in providing management services to its subsidiaries. The details of its subsidiaries are stated in section 2 (iii) to this report.

The authorised and issued and fully paid-up share capital of DPS Resources as at the date of this report are RM100,000,000 and RM54,250,000 respectively, divided into 200,000,000 and 108,500,000 ordinary shares of RM0.50 each respectively.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

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

Authorised Share Capital

Date	No. of ordinary share of RM0.50 each	Authorised	Total authorised share capital RM
9.10.2003	200,000	At date of incorporation (DOI)	100,000
25.5.2004	199,800,000	Increased during the Extraordinary General Meeting	100,000,000

Issued and Paid-up Share Capital

Date of allotment	No. of ordinary share of RM0.50 each	Consideration	Amount RM	Cumulative RM
At date of incorporation	4	Cash : Subscribers' shares	2	2
31.5.2004	85,900,000	Acquisition of subsidiary companies	42,950,000	42,950,002
18.6.2004	22,599,996	Cash : Restricted Issue	11,299,998	54,250,000

The issued and fully-paid up share capital will be increased to RM60,000,000 upon completion of the Public Issue.

(ii) Listing Scheme

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of the Bursa Securities, the Company undertook the following listing scheme:

(a) Revaluation of Properties

Revaluation exercise of all* DPS Resources Group's properties in the third quarter of 2003. Pursuant to the revaluation exercise, based on carrying amounts of the properties as at 30 June 2003:-

- an aggregate of revaluation surplus of RM172,342 (after adjustments for cost incurred and depreciation) was included in the revaluation reserves of Shantawood and DPS Industries as at 30 June 2003; and
- an aggregate of revaluation deficit of RM191,514 (after adjustments for cost incurred and depreciation) was charged to the income statements of Shantawood and DPS Industries for the financial period ended 30 June 2003.

The firm of independent registered valuers commissioned to conduct the aforesaid revaluations is Messrs Raine & Horne International Zaki + Partners.

* DPS Resources Group had subsequently disposed of one of the properties on 10 February 2004. The said property had a revaluation surplus of RM14,164.

(b) Special Dividends

Special dividends in respect of financial year ended 31 December 2003 paid before Acquisitions by Shantawood at the rate of 49.5% (tax exempt) and by DPS Industries at the rate of 47% (tax exempt).

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates
Chartered Accountants***(c) Acquisitions****Acquisition of Shantawood**

Acquisition of the entire issued and paid-up capital of Shantawood comprising 8,662,140 ordinary shares of RM1.00 each for a purchase consideration of RM39,635,284 satisfied by the issuance of 79,110,168 new ordinary shares of RM0.50 each in DPS Resources.

Acquisition of DPS Industries

Acquisition of 36.7% issued and paid up capital of DPS Industries comprising 1,100,000 ordinary shares of RM1.00 each for a purchase consideration of RM3,401,799 satisfied by the issuance of 6,789,832 new ordinary shares of RM0.50 each in DPS Resources.

Transfer of DPS Industries

Acquisition from Shantawood of the remaining 63.3% of issued and paid-up capital of DPS Industries comprising 1,900,000 ordinary shares of RM1.00 each which are owned by Shantawood for a purchase consideration of RM5,875,835 satisfied by cash. Upon completion of the Transfer of DPS Industries, DPS Industries became a direct subsidiary of DPS Resources.

	No. of shares acquired	Equity interest acquired %	Purchase consideration RM	No. of new shares in DPS Resources issued
Shantawood	8,662,140	100	39,635,284	79,110,168
DPS Industries	1,100,000	36.7	<u>3,401,799</u>	<u>6,789,832</u>
			43,037,083	<u>85,900,000</u>
DPS Industries	1,900,000	63.3	<u>5,875,835</u>	<u>By cash</u>
			<u>48,912,918</u>	

(d) Restricted Issue

Restricted issue of 22,599,996 new ordinary shares of RM0.50 each in DPS Resources at an issue price of RM0.50 per share.

(e) Public Issue

Public issue of 11,500,000 new ordinary shares of RM0.50 each in DPS Resources at an issue price of RM0.75 per share.

(f) Offer for Sale

Offer for sale of 11,000,000 ordinary shares of RM0.50 each in DPS Resources at an offer price of RM0.75 per share.

The Listing Scheme was approved by the following authorities:

Authority	Date of approval
SC	28 April 2004*
MITI	28 April 2004

* Under the guidelines of the Foreign Investment Committee in relation to Acquisition Of Assets, Mergers And Take Overs 1974, the SC had via its letter dated 28 April 2004, set out that it has no objection on the indicative equity structure of DPS Resources upon its listing.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

(iii) The Subsidiaries

The information on the subsidiaries, all wholly owned by DPS Resources are as follows:

Company	Date/ Country of incorporation	Authorised share capital RM	Issued and paid-up share capital RM	Principal activities
Shantawood	9.4.1991 Malaysia	10,000,000	8,662,140	Manufacturing of rubberwood furniture, furniture components and rooftruss, and provision of kiln drying services
DPS Industries	14.10.1977 Malaysia	5,000,000	3,000,000	Manufacturing of rubberwood furniture

The movements of the issued and paid-up share capital in the subsidiaries since the date of incorporation are as follows:

Date of allotment	No. of ordinary shares	Consideration	Amount RM	Cumulative RM
Shantawood				
DOI - 9.4.1991	2	Subscribers' shares	2	2
21.5.1991	1,499,998	Allotment for cash	1,499,998	1,500,000
11.3.1992	2,847,000	Allotment for cash	2,847,000	4,347,000
9.7.1997	1,000,000	Allotment for cash	1,000,000	5,347,000
9.7.1997	3,315,140	Bonus issue declared out of revaluation reserve on the basis of 62 bonus shares for every 100 existing shares held	3,315,140	8,662,140
DPS Industries				
DOI - 14.10.1977	25,000	Subscribers' shares	25,000	25,000
31.12.1994	1,075,000	Bonus issue declared out of revaluation reserve on the basis of 43 bonus shares for every 1 existing share held	1,075,000	1,100,000
28.4.2000	1,400,000	Allotment for cash	1,400,000	2,500,000
8.5.2000	500,000	Allotment for cash	500,000	3,000,000

(iv) Dividends

Details of dividends declared and paid by the Company and its subsidiary companies in respect of the financial years and period under review are as follows:

Company	Financial year	Dividend Rate	RM
Shantawood	31-12-2003	Special dividend of 49.5% (tax exempt)	4,287,759
DPS Industries	31-12-2003	Special dividend of 47% (tax exempt)	1,410,000

Other than the above, no dividends were declared and paid prior to the date of this report.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

We are the newly appointed auditors for DPS Resources and were the auditors of Shantawood and DPS Industries for the financial years and period covered in this Accountants Report. The first set of audited financial statements of DPS Resources were prepared from 9 October 2003 (date of incorporation) to 31 December 2003. The said financial statements that were reported by us were not subject to any qualification.

4. ACCOUNTING POLICIES AND STANDARDS

This report is prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of DPS Resources, Shantawood and DPS Industries, and in accordance with applicable approved accounting standards issued and adopted in Malaysia in the relevant financial years and period under review.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

5. SUMMARISED INCOME STATEMENTS**(i) DPS Resources Group**

The summarised proforma consolidated income statements of DPS Resources and its subsidiaries ("DPS Resources Group") for the past five (5) financial years ended 31 December 2003 and for the three (3) months ended 31 March 2004 are provided for illustrative purposes only, on the assumption that the Group had been in existence throughout the period under review and after making such adjustments considered necessary.

	Financial year ended 31 December					3 months ended
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	31.3.2004 RM'000
Revenue	32,591	53,911	56,913	55,210	65,806	17,084
Profit before depreciation, interest expense and taxation ("PBDIT")	7,958	10,647	11,206	12,512	14,427	4,020
Depreciation	(982)	(1,724)	(1,955)	(2,195)	(2,788)	(873)
Interest expense	(1,544)	(1,679)	(2,322)	(2,278)	(2,222)	(477)
Profit before taxation and minority interest ("PBTMI")	5,432	7,244	6,929	8,039	9,417	2,670
Taxation	(856)	(433)	19	(409)	(359)	(447)
Minority interest	-	-	-	-	-	-
Profit attributable to shareholders	4,576	6,811	6,948	7,630	9,058	2,223
Number of ordinary shares assumed in issue ('000)	120,000	120,000	120,000	120,000	120,000	120,000
Net EPS (sen)	3.81	5.68	5.79	6.36	7.55	1.85

Notes to the proforma consolidated results of DPS Resources Group

- The audited income statements of the Group have been prepared based on accounting policies consistent with those previously adopted in the preparation of the Group's audited financial statements.
- The significant increase in revenue and PBTMI in financial year 2000 was in line with the improvement of the manufacturing processes and the increase of production capacity for its kiln-drying wood and rooftruss after the construction of a new factory building and plants.
- In financial year 2001, the increase in revenue was mainly attributable to the increase in demand and additional production capacity for the manufacturing of rubberwood furniture during the year. The lower PBTMI was caused by the elevated interest expense resulted from the increase in the utilisation of bankers acceptance to finance the purchases.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

- Due to the occurrence of fire incidents, the revenue decreased insignificantly in financial year 2002. Despite of this, PBTMI has improved as a result of the fire insurance claims.
- The substantial improvement in revenue and PBTMI for financial year 2003 was mainly attributable to the increase in sales of rubberwood furniture to the Middle East and European countries.
- For the first 3 months of year 2004, the revenue and PBTMI of the Group showed a further growth. Besides the seasonal factors, the growth continued to be driven by the increased demands from its existing customers while more orders were being secured from new customers.
- There was no taxation charge in financial year 1999 though there was reported profit as the amount payable was waived in accordance with Section 8 of the Income Tax (Amendment) Act 1999. The provision of taxation made was in respect of deferred taxation.
- The effective tax rate of 2000 was lower than the statutory tax rate due to the followings:
 - availability of unabsorbed capital allowance;
 - availability of double deduction tax incentive for exports;
 - availability of reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967 ; and
 - recognition of deferred tax asset arose from current year's unabsorbed tax credit.
- Although there was a reported profit in financial year 2001, no taxation was charged but instead a taxation income arose due to the followings:
 - availability of double deduction tax incentive for exports;
 - availability of reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967; and
 - recognition of deferred tax asset arose from current year's unabsorbed tax credit.
- The effective tax rates of 2002 and 2003 were lower than the statutory tax rate due to the followings:
 - availability of double deduction tax incentive for exports;
 - availability of reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967 ; and
 - recognition of deferred tax asset arose from current year's unabsorbed tax credit.
- The effective tax rate of financial period ended 31 March 2004 was lower than the statutory tax rate due to availability of double deduction tax incentive for exports and reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967.
- There was no exceptional or extraordinary item in respect of the financial years and period under review.
- The net EPS has been calculated based on the proforma profit attributable to shareholders and the number of ordinary shares in issue after implementation of the Listing Scheme.
- The following is an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Financial year ended 31 December					3 months
	1999	2000	2001	2002	2003	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31.3.2004
						RM'000
Malaysia	13,486	26,799	21,791	22,223	19,935	4,735
United States of America	7,642	11,587	19,645	10,597	12,119	4,951
Middle East	3,439	8,670	7,023	7,684	10,858	1,287
Europe	3,821	2,689	4,560	8,634	14,975	4,505
Asia Pacific	4,203	4,166	3,894	6,072	7,919	1,606
	<u>32,591</u>	<u>53,911</u>	<u>56,913</u>	<u>55,210</u>	<u>65,806</u>	<u>17,084</u>

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates
Chartered Accountants***(ii) The Company**

	For the period from 9 October 2003 to 31 December 2003 RM'000	3 months ended 31 March 2004 RM'000
Revenue	-	-
PBDIT	(21)	(10)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(21)	(10)
Taxation	-	-
Loss attributable to shareholders	(21)	(10)
Number of ordinary shares in issue (weighted average)	4	4
Net loss per share	(5.25)	(2.50)

Notes to the result of DPS Resources

- The audited income statements of the Company have been prepared based on accounting policies consistent with those previously adopted in the preparation of the DPS Resources Group's audited financial statements.
- The Company had not commenced business operations during the financial periods ended 31 December 2003 and 31 March 2004 respectively. The losses incurred during the periods under review comprise mainly of administration expenses.
- There was no exceptional or extraordinary item in respect of the financial periods under review.
- The net loss per share has been calculated based on the loss attributable to shareholders and the number of ordinary shares in issue (weighted average) for each financial period under review.

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates
Chartered Accountants***(iii) Subsidiaries**

The summarised audited income statements of the subsidiaries for the five (5) financial years ended 31 December 2003 and for the three (3) months ended 31 March 2004 are as follows:

Shantawood

	Financial year ended 31 December				3 months ended	
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	31.3.2004 RM'000
Revenue	31,175	44,603	55,825	51,668	62,800	16,280
Profit before depreciation, interest expense and taxation ("PBDIT")	7,389	8,287	9,138	9,724	10,494	3,011
Depreciation	(779)	(1,195)	(1,385)	(1,698)	(2,235)	(731)
Interest expense	(1,526)	(1,600)	(2,109)	(1,942)	(1,829)	(406)
Profit before taxation ("PBT")	5,084	5,492	5,644	6,084	6,430	1,874
Taxation	(950)	(564)	92	(97)	5	(244)
Profit attributable to shareholders	4,134	4,928	5,736	5,987	6,435	1,630
Number of ordinary shares in issue (weighted average)	8,662,140	8,662,140	8,662,140	8,662,140	8,662,140	8,662,140
Net EPS (sen)	48	57	66	69	74	19

Notes to the results of Shantawood

- The audited income statements of the Company have been prepared based on accounting policies consistent with those previously adopted in the preparation of the Group's audited financial statements.
- The significant increase in revenue and PBT in financial year 2000 was attributed mainly from the expansion in production by construction of new factory building and plants.
- In financial year 2001, the increase in revenue and PBT was mainly attributable to the increase in demand from existing customers.
- Due to the occurrence of fire incidents, the revenue decreased in financial year 2002. Despite of this, PBT has improved as a result of the fire insurance claims.
- The substantial improvement in the revenue and PBT for financial year 2003 was mainly attributable to the increase in sales of rubberwood furniture to the Middle East and European countries.
- For the first 3 months of year 2004, the revenue and PBT of the Company showed a further growth. Besides the seasonal factors, the growth continued to be driven by the increased demands from its existing customers while more orders were being secured from new customers.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

- There was no taxation charge in financial year 1999 though there was reported profit as the amount payable was waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1999. The provision of taxation made was in respect of deferred taxation.
- The effective tax rates of 2000 and 2002 were lower than the statutory tax rate due to the followings:
 - availability of double deduction tax incentive for exports;
 - availability of reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967 ; and
 - recognition of deferred tax asset arose from current year's unabsorbed tax credit.
- Although there were reported profits in financial years 2001 and 2003, no taxation was charged but instead taxation income arose due to the followings:
 - availability of double deduction tax incentive for exports;
 - availability of reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967; and
 - recognition of deferred tax asset arose from current year's unabsorbed tax credit.
- The effective tax rate of financial period ended 31 March 2004 was lower than the statutory tax rate due to availability of double deduction tax incentive for exports and reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967.
- There was no exceptional or extraordinary item in respect of the financial years and period under review.
- The net EPS has been calculated based on the profit attributable to shareholders and the number of ordinary shares in issue (weighted average) for each financial year/period under review.

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates*
*Chartered Accountants***DPS Industries**

	Financial year ended 31 December					3 months
	1999	2000	2001	2002	2003	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31.3.2004
						RM'000
Revenue	2,995	10,468	12,276	22,853	24,762	6,013
Profit before depreciation, interest expense and taxation ("PBDIT")	569	2,360	2,104	2,752	3,954	1,019
Depreciation	(203)	(529)	(570)	(497)	(553)	(142)
Interest expense	(18)	(79)	(213)	(336)	(393)	(71)
Profit before taxation ("PBDIT")	348	1,752	1,321	1,919	3,008	806
Taxation	94	131	(73)	(312)	(364)	(203)
Profit attributable to shareholders	442	1,883	1,248	1,607	2,644	603
Number of ordinary shares in issue (weighted average)	1,100,000	2,372,055	3,000,000	3,000,000	3,000,000	3,000,000
Net EPS (sen)	40	79	42	54	88	20

Notes to the results of DPS Industries

- The audited income statements of the Company have been prepared based on accounting policies consistent with those previously adopted in the preparation of the Group's audited financial statements.
- The significant increase in revenue and PBT in financial year 2000 was mainly due to the new manufacturing product lines for lamination boards, rubberwood S4S and components parts during the year.
- Revenue for financial year 2001 improved mainly resulted by the commencement of the manufacturing and selling of rubberwood furniture during the year. The lower PBT was caused by the elevation of interest expense due to the increase in the utilisation of bankers acceptance to finance the purchases.
- Revenue and PBT for financial year 2002 improved significantly due mainly from delegation of certain customers' orders from Shantawood (due to fire incidents) and the increased demands from existing customers while more orders were being secured from new customers.
- The substantial improvement in revenue for financial year 2003 was mainly attributable to the increase in sales of rubberwood furniture to the Middle East countries. In addition, the gross profit margin and PBT improved as the Company commenced the operation of a new production line for the manufacturing of chairs that subsequently reduced the reliance on the product purchases from Shantawood and external parties.
- The annualised revenue for the financial period ended 31 March 2004 was consistent with the preceding year. The slight improvement in PBT was resulted from the lower distribution costs and the decline in interest expense due to the reduction in the utilization of bankers acceptance to finance its purchases.

10. ACCOUNTANTS' REPORT (CONT'D)

*Owen Koh & Associates
Chartered Accountants*

- There was no taxation charge in financial year 1999 as the amount payable was waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1999. The taxation income for year 1999 was due to the recognition of deferred tax asset arose from current year's unabsorbed tax credit.
- Although there was a reported profit in financial year 2000, no taxation was charged but instead a taxation income arose due to the followings:
 - availability of unabsorbed capital allowance;
 - availability of reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967; and
 - recognition of deferred tax asset arose from current year's unabsorbed tax credit.
- The effective tax rates for financial years 2001 and 2002 and financial period ended 31 March 2004 were lower than the statutory tax rate mainly due to the availability of the double tax deduction incentive for exports and reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967 to set off against the statutory income.
- The effective tax rate of 2003 was lower than the statutory tax rate due to the followings:
 - availability of double deduction tax incentive for exports;
 - availability of reinvestment allowance claimed under Schedule 7A of the Income Tax Act 1967 ; and
 - recognition of deferred tax asset arose from current year's unabsorbed tax credit.
- There was no exceptional or extraordinary item in respect of the financial years and period under review.
- The net EPS has been calculated based on the profit attributable to shareholders and the number of ordinary shares in issue (weighted average) for each financial year/period under review.

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates
Chartered Accountants***6. SUMMARISED BALANCE SHEETS****(i) The Company**

The summarised audited balance sheets of the as at 31 December 2003 and 31 March 2004 are as follows:

	31.12.2003 RM'000	31.3.2004 RM'000
Deferred expenditure	300	454
Current assets	14	*
Current liability	335	485
Net current liability	(321)	(485)
	(21)	(31)
Share capital	*	*
Accumulated losses	(21)	(31)
	(21)	(31)
Net tangible liability ("NTL") per share	(80)	(121)

* This represents RM2 for four subscribers' shares

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates
Chartered Accountants***(ii) Subsidiaries**

The summarised audited balance sheets of the subsidiaries as at 31 December 1999 to 2003 and 31 March 2004 are as follows:

Shantawood

	As at 31 December					As at
	1999	2000	2001	2002	2003	31 March
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Property, plant and equipment	21,433	29,196	37,382	43,163	52,220	52,899
Subsidiary companies	183	2,083	2,083	1,900	1,900	1,900
Current assets	17,606	20,268	21,769	25,928	17,049	20,038
Current liabilities	(17,408)	(23,048)	(26,156)	(30,089)	(25,238)	(27,594)
Net current assets/(liabilities)	198	(2,780)	(4,387)	(4,161)	(8,189)	(7,556)
	21,814	28,499	35,078	40,902	45,931	47,243
Share capital	8,662	8,662	8,662	8,662	8,662	8,662
Unappropriated profits	7,893	12,821	18,557	24,544	30,979	32,641
Revaluation surplus	-	-	197	197	324	301
Shareholders' funds	16,555	21,483	27,416	33,403	39,965	41,604
Long term liabilities	5,259	7,016	7,662	7,499	5,966	5,639
	21,814	28,499	35,078	40,902	45,931	47,243
Net tangible assets per ordinary share (RM)	1.91	2.48	3.17	3.86	4.61	4.80

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates
Chartered Accountants***DPS Industries**

	As at 31 December					As at
	1999	2000	2001	2002	2003	31 March
	RM'000	RM'000	RM'000	RM'000	RM'000	2004
						RM'000
Property, plant and equipment	3,947	7,263	8,104	8,514	10,454	10,338
Deferred tax asset	-	166	-	-	-	-
Current assets	624	2,759	4,597	6,961	6,331	7,137
Current liabilities	(3,159)	(4,437)	(5,779)	(6,846)	(5,308)	(5,335)
Net current (liabilities)/assets	(2,535)	(1,678)	(1,182)	115	1,023	1,802
	1,412	5,751	6,922	8,629	11,477	12,140
Share capital	1,100	3,000	3,000	3,000	3,000	3,000
Unappropriated profits	265	2,148	3,396	5,003	7,647	8,250
Revaluation surplus	-	-	-	-	72	72
Shareholders' funds	1,365	5,148	6,396	8,003	10,719	11,322
Long term liabilities	47	603	526	626	758	818
	1,412	5,751	6,922	8,629	11,477	12,140
Net tangible assets per ordinary share (RM)	1.24	1.72	2.13	2.67	3.57	3.77

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

7. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The following proforma consolidated cash flow statement has been prepared for illustrative purposes only, based on the audited financial statements of DPS Resources, Shantawood and DPS Industries for the three (3) months ended 31 March 2004, on the assumption that the acquisition of subsidiary companies and the restricted issue had been effected at the Group level as at 31 March 2004.

	Note	RM'000
Cash flows from operating activities		
Profit before taxation		2,670
Adjustments for:		
Depreciation	5(i)	873
Interest expenses	5(i)	477
Loss on disposal of land and building		24
Gain on disposal of motor vehicle		(3)
		1,371
Operating profit before working capital changes		4,041
Changes in working capital:		
Inventories		(828)
Trade and other receivables		(2,132)
Trade and other payables		109
Fixed deposit pledged to a licensed bank		(17)
Cash generated from operating activities		1,173
Interest paid		(477)
Taxation paid		(44)
Net cash generated from operating activities		652
Cash flows from investing activities		
Purchase of property, plant and equipment		(1,369)
Payment for property, plant and equipment acquired in earlier year		(395)
Proceeds from disposal of property and vehicle		220
Net cash used in investing activities		(1,544)
Cash flows from financing activities		
Proceeds from restricted issue		11,300
Special dividends paid		(4,805)
Advances from a director		*544
Repayment of term loans		(607)
Payment to finance lease creditors		(180)
Net cash generated from financing activities		6,252
Net increase in cash and cash equivalents		5,360
Cash and cash equivalents at beginning of period		(1,944)
Cash and cash equivalents at end of period		3,416
Represented by:		
Cash at banks and in hand	8(vi)	3,416

* These advances had been repaid to the Director concerned on 25 June 2004 as disclosed in section 10(v) of this report.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

8. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

The following proforma statements of assets and liabilities has been prepared for illustrative purposes only, based on the audited financial statements of DPS Resources, Shantawood and DPS Industries as at 31 March 2004, on the assumption that the declaration of special dividends, acquisition of subsidiary companies and the restricted issue had been effected at Group level as at 31 March 2004. The proforma statements of assets and liabilities of the Company and DPS Resources Group are to be read in conjunction with the notes thereto.

	Note	Company RM'000	DPS Resources Group RM'000
Property, plant and equipment	8 (ii)	-	63,237
Deferred expenditure		454	454
Current assets			
Inventories	8 (iii)	-	12,488
Trade receivables	8 (iv)	-	8,249
Other debtors, deposits and prepayments	8 (v)	-	3,220
Cash, deposit and bank balances	8 (vi)	*	3,433
		*	27,390
Current liabilities			
Trade payables	8 (vii)	-	4,602
Amount due to a director	8 (viii)	-	614
Other creditors and accruals	8 (ix)	485	3,139
Borrowings	8 (x)	-	18,305
Provision for taxation		-	474
		485	27,134
Net current (liabilities)/assets		(485)	256
		(31)	63,947
Shareholders' funds			
Share capital	8 (xi)	*	54,250
Reserves	8 (xii)	(31)	3,241
		(31)	57,491
Long term liabilities			
Borrowings	8 (x)	-	5,118
Deferred taxation	8 (xiii)	-	1,338
		-	6,456
		(31)	63,947

* This represents RM2 for four subscribers' shares

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

(i) Significant accounting policies**(a) Basis of accounting**

The statements of assets and liabilities of the Company and of DPS Resources Group have been prepared under the historical cost convention modified by the revaluation of certain property, plant and equipment and to include other bases of valuation as disclosed in other paragraphs under significant accounting policies and in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

The statements of assets and liabilities include the audited financial statements of the Company and its subsidiaries in DPS Resources Group made up to the end of the financial period. The subsidiaries are consolidated on the acquisition method of accounting.

Acquisition method

When the acquisition method is adopted:

- the results of subsidiaries acquired or disposed of during the financial period are included in the consolidated financial statements from the date of acquisition or up to the date of their disposal;
- the excess of the purchase consideration for the subsidiaries over the fair value of the net assets of subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill arising on consolidation; and
- intragroup transactions and balance and the resulting unrealised profits are eliminated on consolidation; unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Subsidiary

A subsidiary is defined as a company in which the parent company holds directly or indirectly more than 50% of the equity share capital and has control over the financial and operating policies.

Investment in subsidiary, which is eliminated on consolidation, is stated at cost in the Company's financial statements. Where the Directors are of the opinion that there has been a permanent decline in the value of investments, allowance is made for the diminution in value.

DPS Resources Group's financial statements are prepared on the basis that excess of losses attributable to minority shareholders over their equity interest will be absorbed by DPS Resources Group except where there is a binding obligation from the minority shareholders to absorb the losses in excess of their equity interest.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation.

DPS Resources Group revalue its property comprising lands and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

In conjunction with the Listing Scheme of the Company on the Second Board of the Bursa Securities, a special revaluation was however done in September 2003, which was less than 5 years from the last revaluation in year 2001.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the Income Statements. Subsequent to revaluation any addition is stated at cost.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(e) Depreciation

Except for freehold lands, buildings under construction and capital work in progress which are not amortised, depreciation is provided on a straight line basis so as to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates of depreciation used are as follows:

Long leasehold lands	Over remaining lease periods
Buildings	2%
Fittings attached to buildings	2%
Motor vehicles	20%
Furniture, fittings and equipment	10% - 20%
Plant and machinery	7%

As at balance sheet date, the remaining lease periods of the long leasehold lands are as follows:

<u>Location</u>	<u>Number of years</u>
Lot 76 & 77 P.T. No. 266 & 267, Mukim Tanjong Minyak, Melaka, held under H.S. (D) Nos. 21785 & 21786.	87
P.T. No. 4130 (Plot 65), Mukim Tanjong Minyak, Melaka, held under H.S. (D) No. 2577.	95
P.T. No. 4129, 4114 and 4113 (Plot 66, 67 and 68), Mukim Tanjong Minyak, Melaka, held under H.S. (D) No. 2576, 2561 and 2560.	95
P.T. No. 4095 (Plot 72), Mukim Tanjong Minyak, Melaka, held under H.S. (D) No. 2542.	95
P.T. No. 4096 (Plot 73), Mukim Tanjong Minyak, Melaka, held under H.S. (D) No. 2543.	95
Lot 3689, Mukim Bukit Rambai, District of Melaka Tengah, Melaka.	75
P.T. No. 4169 (Plot 64), Mukim Tanjong Minyak, Melaka, held under H.S. (D) No. 2616.	96

(f) Impairment of assets

The carrying amounts of DPS Resources Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the Income Statements unless it reverses a previous revaluation in which case it is charged to Equity. Any subsequent increase in recoverable amount is recognised to the extent of the carrying amount that would have been determined, net of depreciation or amortisation, had the impairment not occurred. Such subsequent increase in recoverable amount is recognised in the Income Statements unless it reverses an impairment loss on a revalued asset, in which case it is taken to Equity.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

(g) Deferred expenditure

Deferred expenditure is in respect of professional fees and other related costs incurred in connection with the Company's application for the listing and quotation on the Second Board of Bursa Securities. They will be written off against the share premium upon successful listing and quotation of the Company.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Cost of finished goods and work-in-progress includes raw materials, labour and an appropriate proportion of production overheads.

(i) Receivables

Bad debts are written off in the financial period in which they are identified. Allowance for doubtful debt is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risks of changes in value.

(k) Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred due to temporary differences. Deferred taxation is provided, using the balance sheet liability method, on all significant temporary differences arising from the differences between the tax base of an asset or liability and its carrying amount in the Balance Sheet.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed tax losses and unutilised tax credit to the extent that it is probable that taxable profits will be available in the future against which the deferred tax assets recognised can be utilised.

(l) Leases

Leases in which DPS Resources Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant, equipment and motor vehicles acquired under finance lease are capitalised and outstanding obligations due under the agreements after deducting finance charges are included as liabilities in the financial statements. Finance charges are allocated to the Income Statements on a 'sum of digits' method.

Operating lease rentals are charged to the Income Statements in the period in which they are incurred.

(m) Foreign currency

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statements. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

The closing rates used in translation are as follows:

USD1.00 = RM3.80
EURO1.00 = RM4.631

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

(n) Income recognition

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyers. Sales represent gross invoiced value of goods sold net of sales tax, trade discounts and allowances.

(o) Finance costs

Finance costs comprise interest chargeable and other costs on borrowings. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs.

(p) Financial instruments

Financial instruments are recognised in the Balance Sheet when DPS Resources Group become a party to the contractual provisions of the instrument. Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement.

Financial instruments carried on the Balance Sheet include cash and cash equivalents, equity investments, receivables, fixed deposit, payables and borrowings. The particular recognition methods of these financial instruments adopted are disclosed in the respective accounting policy statements associated with each item.

(q) Employee benefits**(i) Short term benefits**

Employees' remuneration is recognised as an expense in the period in which the associated services are rendered by employees of DPS Resources Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the Income Statement as incurred.

(ii) Property, plant and equipment

	Lands	Buildings	Buildings	Plant,	Total
	RM'000	RM'000	under	Fittings and	RM'000
			construction	Equipment	
			RM'000	RM'000	RM'000
Group					
Cost/Valuation	<u>7,824</u>	<u>26,008</u>	<u>144</u>	<u>39,040</u>	<u>73,016</u>
Representing items at:					
Cost	-	968	16	39,040	40,024
Directors' valuation	<u>7,824</u>	<u>25,040</u>	<u>128</u>	-	<u>32,992</u>
	<u>7,824</u>	<u>26,008</u>	<u>144</u>	<u>39,040</u>	<u>73,016</u>
Accumulated depreciation	<u>28</u>	<u>302</u>	-	<u>9,449</u>	<u>9,779</u>
Carrying amount	<u>7,796</u>	<u>25,706</u>	<u>144</u>	<u>29,591</u>	<u>63,237</u>

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

The lands, buildings and buildings under construction of DPS Resources Group are stated at Directors' valuation based on the professional valuations on the open market basis in September 2003.

Additions to lands, buildings and buildings under construction subsequent to the date of valuation are stated at cost.

Had the lands, buildings and buildings under construction been carried at historical cost less accumulated depreciation, the carrying amount that would have been included in the financial statements at the end of the period are as follows:

	Group RM'000
Freehold lands	570
Long leasehold lands	2,167
Buildings	26,282
Buildings under construction	127
	<u>29,146</u>

Included in the lands of DPS Resources Group are the following:

	Group RM'000
Freehold lands	2,841
Long leasehold lands	4,955
	<u>7,796</u>

Included in the property, plant and equipment of DPS Resources Group are the following costs of assets which have been fully depreciated and still in use:

	Group RM'000
Motor vehicles	111
Plant and machinery	16
Furniture and fittings	<u>179</u>

All the property, plant and equipment of DPS Resources Group with a total carrying amount of RM63,237,386 have been pledged to certain licensed banks as securities for banking facilities granted to DPS Resources Group (see Note 8 (x)).

As at 31 March 2004, the title deeds of certain landed properties of DPS Resources Group with carrying amount of RM1,506,988 have not been registered into the name of DPS Resources Group.

Included in the property, plant and equipment of DPS Resources Group is motor vehicles with carrying amount as stated which are registered in the name of the following parties:

	Group RM'000
A company in which the Directors, Datuk Sow Chin Chuan and <u>Datin Chu Kim Guek have substantial financial interest</u>	
DPS Realty Sdn. Bhd.*	<u>45</u>
<u>A Director</u>	
Datin Chu Kim Guek	<u>3</u>

* Datuk Sow Chin Chuan and Datin Chu Kim Guek are husband and wife and together they hold 100% financial interest. The motor vehicles are held in trust for DPS Resources Group by DPS Realty Sdn. Bhd.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

The carrying amount of the property, plant and equipment of DPS Resources Group includes the following assets acquired under finance lease agreements:

	Group RM'000
Plant and machinery	2,232
Motor vehicles	<u>377</u>

(iii) Inventories

	Group RM'000
At cost:	
Raw materials	3,388
Work-in-progress	4,663
Finished goods	<u>4,437</u>
	<u>12,488</u>

There were no inventories stated at net realisable value as at 31 March 2004.

(iv) Trade receivables

The credit terms of trade receivables of DPS Resources Group normally range from 14 days to 120 days.

DPS Resources Group's exposure to credit risk is limited to the carrying amount of the trade receivables at the financial period end.

DPS Resources Group has no significant concentration of credit risk that may arise from the exposure to a single debtor or a group of debtors.

The currency exposure of trade receivables of DPS Resources Group is as follows:

	Group RM'000
Ringgit Malaysia	3,944
United States Dollars	<u>4,305</u>
	<u>8,249</u>

(v) Other debtors, deposits and prepayments

There is no fixed terms of repayment for other debtors of DPS Resources Group.

The currency exposure of other debtors, deposits and prepayments of DPS Resources Group is as follows:

	Group RM'000
Ringgit Malaysia	3,055
Euro	21
United States Dollars	<u>144</u>
	<u>3,220</u>

(vi) Cash, deposit and bank balances

	Group RM'000
Fixed deposit with a licensed bank	17
Cash at banks and in hand	<u>3,416</u>
	<u>3,433</u>

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

The fixed deposit with a licensed bank is hypothecated for banking facilities granted to DPS Resources Group (see Note 8 (x)). The interest rate thereon is 4.75% per annum and the maturity period thereof is 80 days.

The currency exposure of cash, deposit and bank balance of DPS Resources Group is as follows:

	Group RM'000
Ringgit Malaysia	3,414
United States Dollars	19
	<u>3,433</u>

(vii) Trade payables

The credit terms granted by trade payables of DPS Resources Group normally range from 30 days to 120 days.

The currency exposure of trade payables of DPS Resources Group is as follows:

	Group RM'000
Ringgit Malaysia	4,558
United States Dollars	44
	<u>4,602</u>

(viii) Amount due to a director

The amount due to a director is unsecured, interest free and has no fixed terms of repayment. It is due to the following Director:

	Group RM'000
Datuk Sow Chin Chuan	* 614

* The amount due had been repaid to the Director concerned on 25 June 2004 as disclosed in section 10(v) of this report.

(ix) Other creditors and accruals

The credit terms granted by other creditors of DPS Resources Group normally range from 30 days to 120 days while certain other creditors have no fixed terms of repayment.

All other creditors and accruals of DPS Resources Group are denominated in Ringgit Malaysia.

(x) Borrowings

	Group RM'000
<u>Current</u>	
- Bankers acceptance	10,172
- Finance lease creditors	723
- Revolving credit	5,973
- Term loans	1,437
	<u>18,305</u>
<u>Non-current</u>	
- Finance lease creditors	901
- Term loans	4,217
	<u>5,118</u>

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

Bankers acceptance, revolving credit, term loans and bank overdraft facilities

As at the Balance Sheet date, DPS Resources Group has unutilised banking facilities of RM16,995,000 with certain licensed banks.

Term loans are repayable by equal monthly instalments over period ranging from 20 months to 240 months.

DPS Resources Group's, bankers acceptance, revolving credit, term loans and bank overdraft facilities are secured as follows:

- (a) fixed charges over DPS Resources Group's freehold and long leasehold lands and buildings;
- (b) fixed charges over the third parties' long leasehold lands and buildings;
- (c) debentures, fixed and floating charges over existing and future assets of DPS Resources Group;
- (d) fixed deposit amounting to RM17,400; and
- (e) joint and several guarantee by Datuk Sow Chin Chuan and Datin Chu Kim Guek.

Interests chargeable on banking facilities of DPS Resources Group are at the rates ranging as follows:

	%
(a) Bank overdrafts*	1.75 - 2.25
(b) Bankers acceptance	5.10 - 5.79
(c) Secured revolving credit	6.91
(d) Secured term loans*	0.50 - 2.50

* Above lenders' base lending rate

Group
RM'000

Finance lease creditors

Amount payable within 12 months:

Total outstanding instalments	840
Unexpired term charges	<u>(117)</u>
	<u>723</u>

Amount payable after 12 months
but not exceeding 60 months:

Total outstanding instalments	984
Unexpired term charges	<u>(83)</u>
	<u>901</u>

The borrowing rates for finance leases are fixed at the inception of the leases and are ranging from 7.24% to 11.01% per annum. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment.

Analysis of borrowings by currency

All borrowings of DPS Resources Group are denominated in Ringgit Malaysia.

(xi) Share capital

	Number of Ordinary Shares of RM0.50 each		Amount	
	Company '000	Group '000	Company RM'000	Group RM'000
Authorised	<u>200,000</u>	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid	<u> *</u>	<u>108,500</u>	<u> **</u>	<u>54,250</u>

* This represents 4 ordinary shares of RM0.50 each

** This represents RM2

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates
Chartered Accountants*

(xii) Reserves	Company RM'000	Group RM'000
<u>Distributable</u>		
Accumulated loss	(31)	(31)
<u>Non-distributable</u>		
Share premium	-	87
Reserve on consolidation	-	3,185
	<u>(31)</u>	<u>3,241</u>

(xiii) Deferred taxation	Group RM'000
The deferred taxation arises as a result of:	
Taxable temporary differences:	
- Excess of capital allowance over book depreciation	16,564
- Surplus arising from revaluation of freehold lands	2,271
Deductible temporary difference:	
- Unabsorbed tax credit	<u>(12,192)</u>
Net taxable temporary differences	<u>6,643</u>
Deferred tax liability at statutory tax rate*	<u>1,338</u>

* Deferred tax liability arises from the surplus on revaluation of freehold lands is accounted for at the Real Property Gains Tax rate of 5% as DPS Resources Group has no commitment to dispose of the revalued freehold lands in the foreseeable future while the other taxable temporary differences is accounted for at Income Tax rate of 28%.

As at the Balance Sheet date, DPS Resources Group has recognised deferred tax assets amounting to RM3,413,838 relating to unabsorbed tax credit. The recognition of these deferred tax assets is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The evidence used to support this recognition is the Directors' projected five-year-plan, which shows that it is probable the deferred tax assets would be realised in future years.

(xiv) Capital commitments	Group RM'000
Approved and contracted for	32
Approved but not contracted for	<u>3,500</u>
	<u>3,532</u>

(xv) Financial instruments**(a) Financial risk management objectives and policies**

The operations of DPS Resources Group are subject to a variety of financial risks. Various risk management policies are adopted by the Directors for observation in the daily operations of DPS Resources Group to control and manage the risks associated with financial instruments.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

(b) Credit risk

DPS Resources Group exposes to credit risk mainly from trade receivables. DPS Resources Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history. DPS Resources Group also ensures a large number of customers to limit high credit concentration in a customer or customers from a particular market.

(c) Liquidity risk

DPS Resources Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(d) Cash flow risk

DPS Resources Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flow as associated with its monetary financial instruments.

(e) Interest rate risk

DPS Resources Group practices various interest risk management policies for the purposes of reducing net interest costs and to achieve interest rates within expected rates.

The information on maturity dates and average interest rates of financial assets and liabilities is disclosed in their respective Notes.

(f) Foreign currency exchange risk

DPS Resources Group's exposure to foreign currency risk is minimal as its transactions are mainly denominated in Ringgit Malaysia (RM) and United States Dollars (USD). The imposition of currency controls via the pegging of RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risks arising from foreign exchange fluctuation.

(g) Fair value

- Cash and cash equivalents, receivables, fixed deposit and payables

The carrying amounts approximate fair value because of the short maturity of these financial instruments.

- Non-overdraft borrowings

The carrying amounts of non-overdraft borrowings approximate fair value estimated by using discounted cash flow analysis based on current weighted borrowing rates for similar types of borrowing arrangements.

9. PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma statements of assets and liabilities of the DPS Resources Group as at 31 March 2004 as set out in Section 8, the proforma net tangible assets and the enlarged issued and paid-up share capital are derived as follows:

(i) Proforma net tangible assets

	RM'000
Net tangible assets as at 31 March 2004	57,491
Add:	
Public Issue	<u>8,625</u>
	66,116
Less:	
Estimated listing expenses	<u>(2,300)</u>
Proforma net tangible assets after public issue	<u>63,816</u>

10. ACCOUNTANTS' REPORT (CONT'D)*Owen Koh & Associates
Chartered Accountants***(ii) Enlarged issued and paid-up share capital**

	No. of ordinary shares of RM0.50 each '000
As at 31 March 2004	108,500
Public issue	<u>11,500</u>
	<u>120,000</u>

(iii) Proforma net tangible assets per ordinary share (RM)	<u>0.532</u>
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10. EVENTS SUBSEQUENT TO BALANCE SHEET AS AT 31 MARCH 2004

Subsequent to the balance sheet date, the following events had eventuated:

- (i) On 25 May 2004, the authorised share capital of the Company was increased from RM100,000 to RM100,000,000 by creation of additional 199,800,000 new shares of RM0.50 each.
- (ii) The issued and paid-up ordinary share capital of the Company was increased from RM2 to RM54,250,000 by:
 - (a) an issuance of 79,110,168 new ordinary shares of RM0.50 each at an issue price of approximately RM0.50 per share on 31 May 2004 pursuant to the acquisitions of the entire issued and paid-up capital of Shantawood comprising 8,662,140 ordinary shares of RM1.00 each;
 - (b) an issuance of 6,789,832 new ordinary shares of RM0.50 each at an issue price of approximately RM0.50 per share on 31 May 2004 pursuant to the acquisition of 36.7% of issued and paid-up capital of DPS Industries comprising 1,100,000 ordinary shares of RM1.00 each; and
 - (c) restricted issue of 22,599,996 new ordinary shares of RM0.50 each at an issue price of RM0.50 per share on 18 June 2004.

The newly issued shares rank *pari passu* in all respects with existing issued shares.

- (iii) On 31 May 2004, the Company acquired from Shantawood the remaining 63.3% of issued and paid-up capital of DPS Industries comprising 1,900,000 ordinary shares of RM1.00 each which are owned by Shantawood for a purchase consideration of RM5,875,835 and satisfied by cash. Upon completion of the Transfer of DPS Industries, DPS Industries became a direct subsidiary of DPS Resources.
- (iv) On 29 May 2004, special dividends (tax exempt) in respect of financial year ended 31 December 2003 amounted to:
 - (a) RM4,287,759 had been paid by Shantawood to Datuk Sow Chin Chuan, Datin Chu Kim Guek, Gerakan Prinsip Sdn. Bhd. and Lapangan Desiran Sdn. Bhd.; and
 - (b) RM1,140,000 had been paid by DPS Industries to Datuk Sow Chin Chuan, Datin Chu Kim Guek and Shantawood.
- (v) On 25 June 2004, the amount due to the Director, Datuk Sow Chin Chuan as at 31 March 2004 amounted to RM613,905 had been repaid to the Director.

Other than the above, we are not aware of any subsequent event which would require any amounts stated to be adjusted or any further disclosure that is required to be made in this report.

10. ACCOUNTANTS' REPORT (CONT'D)

Owen Koh & Associates
Chartered Accountants

11. FINANCIAL STATEMENTS

No audited financial statements of the Company and its subsidiaries have been drawn up for any period subsequent to 31 March 2004.

Yours faithfully,



Owen Koh & Associates
Firm No.: AF 0043
Chartered Accountants



Koh Foo Ghe
No.: 897/3/06(J)
Partner Of The Firm