

#### 4. INFORMATION ON DPS RESOURCES GROUP

##### 4.1 History And Development Of DPS Resources Group

The history of DPS Resources Group can be traced back to the early 1980s when Datuk Dr Sow Chin Chuan, a Promoter of DPS Resources, ventured into the wood-based industry in Melaka when he set up Shing Huat Sawmill Sdn Bhd (now known as DPS Realty Sdn Bhd), a company principally involved in timber trading. Recognising the lucrative opportunities ahead in the wood-based industry, Datuk Dr Sow extended his interests in the industry when he, together with his spouse, Datin Chu Kim Guek, acquired the entire equity interest in DPS Industries and Shantawood in 1992 and 1995 respectively. These companies were then principally involved in sawmilling and manufacturing of wooden chairs respectively. Under the resourceful stewardship of Datuk Dr Sow, DPS Industries' and Shantawood's involvement in wood-based products expanded tremendously. These companies became involved in manufacturing of rubberwood furniture, rooftruss, plywood doors and wooden window frames, sawmilling, kiln drying, and wood treatment.

Over the years, DPS Resources Group has managed to establish its reputation in the wood-based industry. With its vertical involvement in the wood-based industry, from upstream activities consisting of pressure treatment and kiln drying, to downstream activities consisting of furniture manufacturing, DPS Resources Group has become a strong local player of the industry. Today, DPS Resources Group focuses on the manufacture of rubberwood kitchen furniture for both the local and overseas markets. For the financial year ended 31 December 2003, approximately 70% and 63% of its turnover and profit after taxation are contributed by exports.

##### 4.2 Incorporation And Commencement Of Business

DPS Resources was incorporated in Malaysia under the Companies Act, 1965 on 9 October 2003 as a private limited liability company. On 3 November 2003, the Company was converted to a public company. DPS Resources is an investment holding company, and the management company providing management services to its subsidiaries. The principal activities of its subsidiaries are detailed in section 4.5. DPS Resources does not have any associated company.

##### 4.3 Share Capital And Changes In Share Capital

The present authorised share capital of DPS Resources is RM100,000,000 comprising 200,000,000 Shares. The issued and fully paid-up share capital of DPS Resources is RM54,250,000 comprising 108,500,000 Shares.

Details of the changes in the issued and fully paid-up share capital of the Company since its incorporation are as follows:-

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
9.10.2003	4	0.50	Cash	2
31.5.2004	85,900,000	0.50	Full purchase consideration for the Acquisitions	42,950,002
18.6.2004	22,599,996	0.50	Cash: Restricted Issue	54,250,000

[ The rest of this page is intentionally left blank ]

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)****4.4 Listing Scheme**

In conjunction with and as an integral part of the listing of and quotation for the entire issued and fully paid-up share capital of DPS Resources on the Second Board of Bursa Securities, DPS Resources proposed to undertake the Listing Scheme which includes the transactions set out below.

**4.4.1 Revaluation Of Properties**

DPS Resources Group undertook a revaluation exercise of all\* its properties in the third quarter of 2003. Pursuant to the revaluation exercise, based on net book values of the properties as at 30 June 2003:-

- i) 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
- ii) 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.

**4.4.2 Declaration Of Dividends**

An aggregate of net dividends of RM5,697,759 for the financial year ended 31 December 2003 has been declared and paid to Datuk Dr Sow Chin Chuan, Datin Chu Kim Guek, Gerakan Prinsip Sdn Bhd, Lapangan Desiran Sdn Bhd and Shantawood on 29 May 2004. Further details of the dividends declared and paid are set out below.

Company	Gross Dividend (RM)	Net Dividend (RM)
Shantawood	4,287,759	4,287,759
DPS Industries	* 1,410,000	* 1,410,000
	5,697,759	5,697,759

- \* Of the RM1,410,000 dividends declared and paid by DPS Industries, RM893,000 was for the benefit of Shantawood.

[ The rest of this page is intentionally left blank ]

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)****4.4.3 Acquisition Of Shantawood**

Pursuant to a conditional Sale And Purchase Agreement entered into between DPS Resources as the purchaser, and the shareholders of Shantawood as the vendors, on 9 January 2004, and a supplemental agreement dated 31 May 2004, DPS Resources acquired the entire issued and fully paid-up share capital of Shantawood comprising 8,662,140 ordinary shares of RM1.00 each for a purchase consideration of RM39,635,284 based on the audited consolidated NTA of Shantawood as at 30 June 2003 of RM39,635,284. The purchase consideration was satisfied by the issuance of 79,110,168 new Shares in DPS Resources at an issue price of approximately RM0.50 per Share.

The shareholdings of the vendors of Shantawood in DPS Resources pursuant to the Acquisition Of Shantawood are set out below.

Vendor	No. Of Ordinary Shares Held In Shantawood	% Interest	Purchase Consideration (RM)	No. Of DPS Resources Shares Issued
Datuk Dr Sow Chin Chuan	4,138,941	47.78	18,938,500	37,800,360
Datin Chu Kim Guek	298,080	3.44	1,363,922	2,722,325
Eric Sow Yong Shing	5,256	0.06	24,049	48,000
Ismail Harith Merican	1,313,936	15.17	6,012,165	12,000,000
Yayasan Melaka	1,094,946	12.64	5,010,138	10,000,000
Lapangan Desiran Sdn Bhd	509,702	5.88	2,332,239	4,655,040
KCA Corporate Services Sdn Bhd	113,266	1.31	518,270	1,034,443
Datuk Haji Hamid Bin Haji Rahman	109,495	1.27	501,014	1,000,000
New Ing Suwe @ Wee Kim Siang	109,495	1.27	501,014	1,000,000
Omar Bin Abdul Aziz	109,495	1.27	501,014	1,000,000
Huat Hing Rubberwood Sdn Bhd	109,495	1.27	501,014	1,000,000
Cheah Choon Lim	76,646	0.88	350,710	700,000
Tun Syed Ahmad Al-Haj Bin Syed Mahmud Shahabudin	54,747	0.63	250,507	500,000
T.H. Chuah Sdn Bhd	54,747	0.63	250,507	500,000
Gunasegaran Reddy A/L V. Ramasamy Reddy	54,747	0.63	250,507	500,000
Lam Nyit Wah	54,747	0.63	250,507	500,000
Tan Cheng Yam	54,747	0.63	250,507	500,000
Tan Cheng Eian	54,747	0.63	250,507	500,000
Saleh Bin Othman	32,848	0.38	150,304	300,000
Datuk Tiu Ah Chai	21,899	0.25	100,203	200,000
Dato' Tan Chau Imm	21,899	0.25	100,203	200,000
G-Wood Sdn Bhd	21,899	0.25	100,203	200,000
Looi Si Hock	21,899	0.25	100,203	200,000
Low Ah Choon	21,899	0.25	100,203	200,000
Hamid Sawmill Sdn Bhd	21,899	0.25	100,203	200,000
Modern Hardwood Sdn Bhd	21,899	0.25	100,203	200,000
Tiu Hwee Beng	16,424	0.19	75,152	150,000
Wan Sung	16,424	0.19	75,152	150,000
Ng Yang Hoo @ Ng Peng Lim	10,949	0.13	50,101	100,000
First Multi Carton Industries Sdn Bhd	10,949	0.13	50,101	100,000
Young Ah Yee	10,949	0.13	50,101	100,000
Shum Cheong Thim	10,949	0.13	50,101	100,000
Lim Ai Bee	10,949	0.13	50,101	100,000
Teh Hong Eng	10,949	0.13	50,101	100,000
Poh Lee Chin	10,949	0.13	50,101	100,000
Kilang Papan Sungai Mengkibol Sdn Bhd	10,949	0.13	50,101	100,000
Kilang Papan Sri Madik Sdn Bhd	10,949	0.13	50,101	100,000
Tiu Meng Seng @ Tiu Chee Seng	5,475	0.06	25,051	50,000
Thng Geun Fatt	5,475	0.06	25,051	50,000
Yong Wee Seong	5,475	0.06	25,051	50,000
Tham Ah Ngah	5,475	0.06	25,051	50,000
Lim Wei Siong	5,475	0.06	25,051	50,000
	<b>8,662,140</b>	<b>100.00</b>	<b>39,635,284</b>	<b>79,110,168</b>

The Acquisition Of Shantawood was completed on 31 May 2004.

#### 4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)

##### 4.4.4 Acquisition Of DPS Industries

DPS Resources as the purchaser, entered into a conditional Sale And Purchase Agreement with certain shareholders of DPS Industries as the vendors, on 9 January 2004 to acquire 1,100,000 ordinary shares of RM1.00 each, representing 36.67% of the issued and fully paid-up share capital of DPS Industries, for a purchase consideration of RM3,401,799 based on the audited NTA of DPS Industries as at 30 June 2003 of RM9,277,634. The purchase consideration was satisfied by the issuance of 6,789,832 new Shares in DPS Resources at an issue price of approximately RM0.50 per Share.

The shareholdings of the following vendors of DPS Industries in DPS Resources pursuant to the Acquisition Of DPS Industries are set out below.

Vendor	No. Of Ordinary Shares Held In DPS Industries	% Interest	Purchase Consideration (RM)	No. Of DPS Resources Shares Issued
Datuk Dr Sow Chin Chuan Datin Chu Kim Guek	1,099,956	36.67	3,401,663	6,789,560
	44	*	136	272
	1,100,000	36.67	3,401,799	6,789,832

Note:-

\* Negligible.

The Acquisition Of DPS Industries was completed on 31 May 2004.

##### 4.4.5 Transfer Of DPS Industries

DPS Resources as the purchaser, entered into a Sale And Purchase Agreement with Shantawood as the vendor, on 31 May 2004 to acquire the entire equity interest of Shantawood in DPS Industries upon completion of the Acquisition Of Shantawood, amounting to 1,900,000 ordinary shares of RM1.00 each, representing approximately 63.33% of the issued and paid-up share capital of DPS Industries, for cash. The consideration was based on the audited NTA of DPS Industries as at 30 June 2003. The Transfer Of DPS Industries was completed on 31 May 2004. Upon completion of the Transfer Of DPS Industries, DPS Industries became a direct subsidiary of DPS Resources. The Transfer Of DPS Industries has no material financial impact from the perspective of DPS Resources Group.

Company	NTA As At 30.6.2003 (RM)	% Acquired	Purchase Consideration (RM)
DPS Industries	9,277,634	63.33	5,875,835

##### 4.4.6 Restricted Issue

On 18 June 2004, DPS Resources undertook a restricted issue of 22,599,996 new Shares at an issue price of RM0.50 each to the following shareholders of DPS Resources.

Shareholder	No. Of DPS Resources Shares Issued
Datuk Dr Sow Chin Chuan	19,099,996
Datin Chu Kim Guek	3,500,000
	22,599,996

The new Shares issued pursuant to the Restricted Issue rank pari passu in all respects with the existing issued and fully paid-up DPS Resources Shares. The Restricted Issue resulted in the issued and fully paid-up share capital of DPS Resources being enlarged from 85,900,004 Shares after completion of the Acquisitions to 108,500,000 Shares.

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)****4.4.7 Public Issue**

DPS Resources will issue 11,500,000 new Shares, representing approximately 9.58% of its enlarged issued and fully paid-up share capital at an issue price of RM0.75 per Share. The details of the Public Issue have been set out in section 2.4.

**4.4.8 Offer For Sale**

The following persons will offer for sale 11,000,000 DPS Resources Shares, representing approximately 9.17% of its enlarged issued and fully paid-up share capital at an offer price of RM0.75 per Share. The details of the Offer For Sale have been set out in section 2.4.

<b>Offeror</b>	<b>No. Of DPS Resources Shares Offered</b>
Datuk Dr Sow Chin Chuan	4,853,100
Datin Chu Kim Guek	2,000,000
Eric Sow Yong Shing	12,000
Lapangan Desiran Sdn Bhd	1,163,800
KCA Corporate Services Sdn Bhd	258,600
Datuk Haji Hamid Bin Haji Rahman	250,000
New Ing Suwe @ Wee Kim Siang	250,000
Omar Bin Abdul Aziz	250,000
Huat Hing Rubberwood Sdn Bhd	250,000
Cheah Choon Lim	175,000
Tun Syed Ahmad Al-Haj Bin Syed Mahmud Shahabudin	125,000
T.H. Chuah Sdn Bhd	125,000
Gunasegaran Reddy A/L V. Ramasamy Reddy	125,000
Lam Nyit Wah	125,000
Tan Cheng Yam	125,000
Tan Cheng Eian	125,000
Saleh Bin Othman	75,000
Datuk Tiu Ah Chai	50,000
Dato' Tan Chau Imm	50,000
G-Wood Sdn Bhd	50,000
Looi Si Hock	50,000
Low Ah Choon	50,000
Hamid Sawmill Sdn Bhd	50,000
Modern Hardwood Sdn Bhd	50,000
Tiu Hwee Beng	37,500
Wan Sung	37,500
Ng Yang Hoo @ Ng Peng Lim	25,000
First Multi Carton Industries Sdn Bhd	25,000
Young Ah Yee	25,000
Shum Cheong Thim	25,000
Lim Ai Bee	25,000
Teh Hong Eng	25,000
Poh Lee Chin	25,000
Kilang Papan Sungai Mengkibol Sdn Bhd	25,000
Kilang Papan Sri Madik Sdn Bhd	25,000
Tiu Meng Seng @ Tiu Chee Seng	12,500
Thng Geun Fatt	12,500
Yong Wee Seong	12,500
Tham Ah Ngah	12,500
Lim Wei Siong	12,500
	11,000,000

[ The rest of this page is intentionally left blank ]

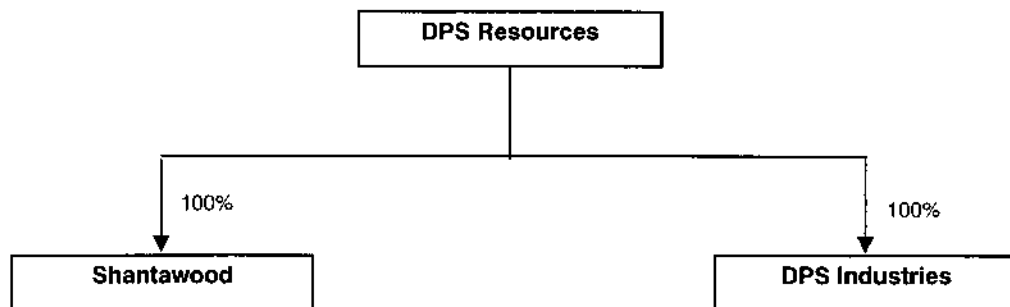
#### 4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)

##### 4.4.9 Listing Of And Quotation For DPS Resources Shares

DPS Resources would apply to Bursa Securities for admission to the Official List, and the listing of and quotation for its enlarged issued and fully paid-up share capital on the Second Board of Bursa Securities.

##### 4.5 Group Structure

The corporate structure of DPS Resources Group is set out below:-



Details of the subsidiaries of DPS Resources are summarized below:-

Company	Date And Place Of Incorporation	Issued And Fully Paid-Up Share Capital (RM)	Effective Equity Interest (%)	Principal Activity
Shantawood (215539-H)	9.4.1991 Malaysia	8,662,140	100	Manufactures rubberwood furniture, furniture components and rooftruss, and provides kiln drying services
DPS Industries (35439-A)	14.10.1977 Malaysia	3,000,000	100	Manufactures rubberwood furniture and furniture components

[ The rest of this page is intentionally left blank ]

#### 4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)

##### 4.5.1 Shantawood

##### 4.5.1.1 Background And History

Shantawood was incorporated in Malaysia under the Companies Act, 1965 on 9 April 1991 as a private limited company. Shantawood recommenced business on 1 January 1996 after the acquisition of Shantawood by Datuk Dr Sow Chin Chuan and Datin Chu Kim Guek in September 1995.

Shantawood was a manufacturer of wooden chairs when Datuk Dr Sow Chin Chuan and Datin Chu Kim Guek acquired the company. Over the years, Shantawood expanded and became involved in the manufacture of various wood-based products which include rubberwood furniture, rooftruss, plywood doors and wooden window frames, and provision of related services such as sawmilling, kiln drying and wood treatment.

##### 4.5.1.2 Principal Activity And Product

Shantawood is currently principally involved in the manufacture of rubberwood furniture and rooftruss, and kiln drying. Further details on activities and products of DPS Resources Group are set out in section 4.6.1.

##### 4.5.1.3 Substantial Shareholder

As at the date of this Prospectus, Shantawood is a wholly-owned subsidiary of DPS Resources.

##### 4.5.1.4 Share Capital

The authorised share capital of Shantawood is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital is RM8,662,140 comprising 8,662,140 ordinary shares of RM1.00 each.

The changes in Shantawood's issued and fully paid-up share capital since incorporation are as follows:-

Date	No. Of Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
9.4.1991	2	1.00	Subscribers shares	2
21.5.1991	1,499,998	1.00	Cash	1,500,000
11.3.1992	2,847,000	1.00	Cash	4,347,000
9.7.1997	1,000,000	1.00	Cash	5,347,000
9.7.1997	3,315,140	1.00	Bonus issue 62:100	8,662,140

##### 4.5.1.5 Subsidiary And Associated Company

As at the date hereof, Shantawood does not have any subsidiary or associated company.

[ The rest of this page is intentionally left blank ]

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)****4.5.2 DPS Industries****4.5.2.1 Background And History**

DPS Industries was incorporated in Malaysia under the Companies Act, 1965 on 14 October 1977 as a private limited company. DPS Industries continued its business in April 1992 after the acquisition of DPS Industries by Datuk Dr Sow Chin Chuan.

DPS Industries was involved in sawmilling when Datuk Dr Sow Chin Chuan acquired the company. Over the years, DPS Industries expanded and became involved in manufacturing rubberwood furniture and furniture components.

**4.5.2.2 Principal Activity And Product**

DPS Industries is principally involved in the manufacture of rubberwood furniture. Further details on activities and products of DPS Resources Group are set out in section 4.6.1.

**4.5.2.3 Substantial Shareholder**

As at the date of this Prospectus, DPS Industries is a wholly-owned subsidiary of DPS Resources.

**4.5.2.4 Share Capital**

The authorised share capital of DPS Industries is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each.

The changes in DPS Industries' issued and fully paid-up share capital since incorporation are as follows:-

<b>Date</b>	<b>No. Of Shares</b>	<b>Par Value (RM)</b>	<b>Consideration</b>	<b>Cumulative Issued And Fully Paid-Up Share Capital (RM)</b>
14.10.1977	25,000	1.00	Subscribers shares	25,000
31.12.1994	1,075,000	1.00	Bonus issue 43:1	1,100,000
28.4.2000	1,400,000	1.00	Cash	2,500,000
8.5.2000	500,000	1.00	Cash	3,000,000

**4.5.2.5 Subsidiary And Associated Company**

As at the date hereof, DPS Industries does not have any subsidiary or associated company.

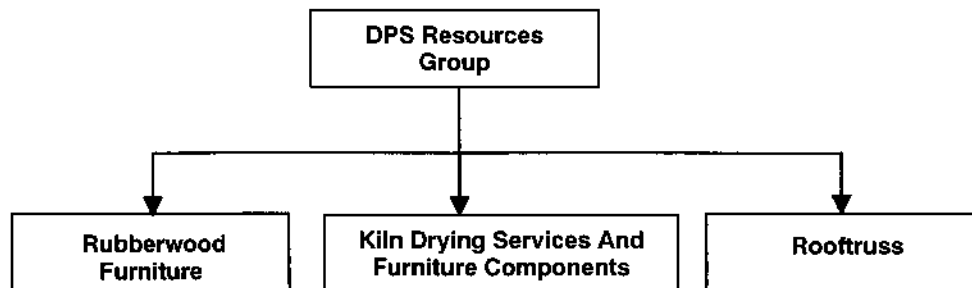
[ The rest of this page is intentionally left blank ]



#### 4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)

##### 4.6 Business Overview

##### 4.6.1 Principal Products And Services



DPS Resources Group's revenue and profits are principally sourced from three (3) areas. Of utmost importance to DPS Resources Group are rubberwood furniture designed with various styles and concepts to serve different target markets. For the financial year ended 31 December 2003, rubberwood furniture contributed approximately 72% of its revenue and 66% of its profit after taxation. These products are mainly manufactured in accordance to customers' specifications, and are principally exported. Nonetheless, other than being OEMs for various foreign brands, DPS Resources Group also manufactures rubberwood furniture under its own three-leaves green trademark. Of the many types of furniture, DPS Resources Group focuses on rubberwood kitchen furniture. Nonetheless, where opportunities arise, DPS Resources Group's production versatility enables it to produce other furniture, from home furnishings to commercial furniture, using various types of wood.

DPS Resources Group also has one of the largest kiln drying facilities in Melaka. After undertaking processes such as pressure treatment, kiln drying and lamination, components and materials are further processed into furniture. Excess components and materials are sold to other smaller local furniture manufacturers as semi-finished products. DPS Resources Group is also involved in manufacturing of rooftruss.

##### 4.6.2 Technology

At present, as the production of rubberwood furniture requires an array of labour intensive tasks such as lacquer coating and quality control inspection, the manufacturing processes of DPS Resources Group which are outlined in section 4.6.6 are still rather labour intensive. Nonetheless, to achieve higher degrees of precision and quality, and to reduce its dependence on labour, DPS Resources Group has gradually adopted contemporary technologies and used automated machineries from countries such as Germany, Italy, Taiwan and UK. These technologies and machineries are used in various processes which include cutting, moulding and laminating. For its product development, DPS Resources Group utilises the AutoCAD software which enables efficient and precise plotting of specifications, drawings and prototypes.

DPS Resources Group became one of the pioneers in using fully automated finger joint machines when it imported the German technologies in 1997. Prior to using these machines, wood pieces are joined manually which was less efficient and resulted in products of lower quality.

[ The rest of this page is intentionally left blank ]

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)****4.6.3 Principal And Major Approvals, Licences And Permits**

Details of the approvals obtained by DPS Resources for the Listing Scheme from the relevant authorities, together with the conditions imposed and status of compliance with the conditions, are set out in section 6.1.

The other principal and major approvals, licences and permits required and obtained for the operations of DPS Resources Group are set out below.

Name Of Subsidiary	Authority	Description	Date Of Issue	Expiry Date	Major Conditions Imposed	Status Of Compliance
Shantawood	Royal Customs And Excise Malaysia	Manufacturer's license under the Sales Tax Act (CJ2)	10.6.1991	-	New license required when a registered business takes over a licensed business or a company which is not registered.	In compliance
	MITI	Manufacturing license	19.9.1991	-	Consent from MITI required for transfer of shares held by non-Malaysians.	In compliance
	Department Of Environment	Environmental approval letter	29.8.2000	-	-	-
	Department Of Environment	Environmental approval letter	11.9.2000	-	-	-
	Melaka Forestry Office	Woodwork/furniture license	1.10.1994	31.12.2004	Holder of the licence cannot let, lease, loan, charge or sell the whole factory or any part thereof or any fixtures or any part of the fixtures in the factory, or make any changes in the shareholding of the whole factory or any parts thereof without approval from the State Authority.	In compliance
	Majlis Bandaraya Melaka Bersejarah	Business/advertisement/chemicals license	9.12.2003	31.12.2004	-	-

[ The rest of this page is intentionally left blank ]

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

<b>Name Of Subsidiary</b>	<b>Authority</b>	<b>Description</b>	<b>Date Of Issue</b>	<b>Expiry Date</b>	<b>Major Conditions Imposed</b>	<b>Status Of Compliance</b>
DPS Industries	MITI	Manufacturing license	31.1.2001	-	Consent from MITI required for transfer of shares held by non-Malaysians.	In compliance
	Royal Customs And Excise Malaysia	Manufacturer's license under the Sales Tax Act (CJ2)	11.4.2001	-	New license required when a registered business takes over a licensed business or a company which is not registered.	In compliance
	Department Of Environment	Environmental approval letter	30.8.2000	-	-	-
	Department Of Environment	Environmental approval letter	11.9.2000	-	-	-

[ The rest of this page is intentionally left blank ]

#### 4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)

##### 4.6.4 Brand Names, Patents, Trademarks, Licences, Technical Assistance Agreements, Franchises And Other Intellectual Property Rights

To gain brand recognition, DPS Resources Group has begun to emboss Shantawood's three-leaves green trademark in strategic positions of its ODM products. This trademark is registered with the Intellectual Property Corporation Of Malaysia under certificate of registration of a trademark dated 12 June 2003 with trademark no. 00011929, for class 20 in respect of wooden-based furniture/products. Intellectual protection of use of the trademark would expire on 29 August 2010.

For manufacture of rooftruss, Shantawood had, on 6 May 1997, entered into a fabricator licence agreement with Gang-Nail (Malaysia) Sdn Bhd, a company which is part of a global group of companies involved in provision of prefabricated rooftruss technology and system. Pursuant to this agreement, Gang-Nail (Malaysia) Sdn Bhd shall supply rooftruss connectors, technical know-how and the necessary assistance for fabrication of rooftruss, to Shantawood. The agreement is terminable within 90 days by either party of the agreement. *(DPS Resources Group's revenue and profit contributions are principally derived from manufacturing of rubberwood furniture and furniture components. For the financial year ended 31 December 2003, manufacturing of rooftruss only contributed 5.92% and 10.04% of revenue and profit after taxation respectively.)*

##### 4.6.5 Production Capacities And Output

DPS Resources Group had, over the past few years, implemented a capital investment program to continuously increase its production capacity. Based on the latest audited financial statements as at 31 March 2004, cost and net book value of plant and machineries of DPS Resources Group stood at RM25.2 million and RM18.6 million respectively. A summary of the production lines and approximate output of DPS Resources Group as at 15 July 2004, is set out below.

Company	Location	Production Line	Approximate Output Per Month
Shantawood	<ul style="list-style-type: none"> <li>• Lots 76 and 77, Kawasan Perindustrian Bukit Rambai, 75250 Bukit Rambai, Melaka</li> </ul>	<ul style="list-style-type: none"> <li>• 2 dining table lines</li> <li>• 1 dining chair line</li> <li>• 1 occasional line</li> <li>• 1 component line</li> <li>• 19 kiln dryer chambers</li> </ul>	<ul style="list-style-type: none"> <li>• 11,400 dining sets</li> <li>• 33,000 pieces of cushion</li> <li>• 1,300 tonnes of rubberwood</li> </ul> <p>Equivalent to 80% of installed capacity</p>
	<ul style="list-style-type: none"> <li>• Plots No. 65, 66, 67 and 68, Kawasan Perindustrian Bukit Rambai Phase V, 75250 Bukit Rambai, Melaka</li> </ul>	<ul style="list-style-type: none"> <li>• 1 dining chair line</li> <li>• 1 component line</li> <li>• 6 kiln dryer chambers</li> <li>• 1 truss fabrication plant</li> </ul>	<ul style="list-style-type: none"> <li>• 31,200 units of chairs</li> <li>• 104,000 pieces of table legs</li> <li>• 420 tonnes of rubberwood</li> <li>• 31,000 points of rooftrusses</li> </ul> <p>Equivalent to 75% of installed capacity</p>
DPS Industries	<ul style="list-style-type: none"> <li>• No. 9558 (Plot No. 6), Kawasan Perindustrian Bukit Rambai Fasa II, 75250 Bukit Rambai, Melaka</li> </ul>	<ul style="list-style-type: none"> <li>• 1 dining table line</li> <li>• 1 dining chair line</li> <li>• 1 occasional line</li> <li>• 1 component line</li> </ul>	<ul style="list-style-type: none"> <li>• 3,200 dining sets</li> <li>• 20,800 pieces of chair seats</li> </ul> <p>Equivalent to 85% of installed capacity</p>

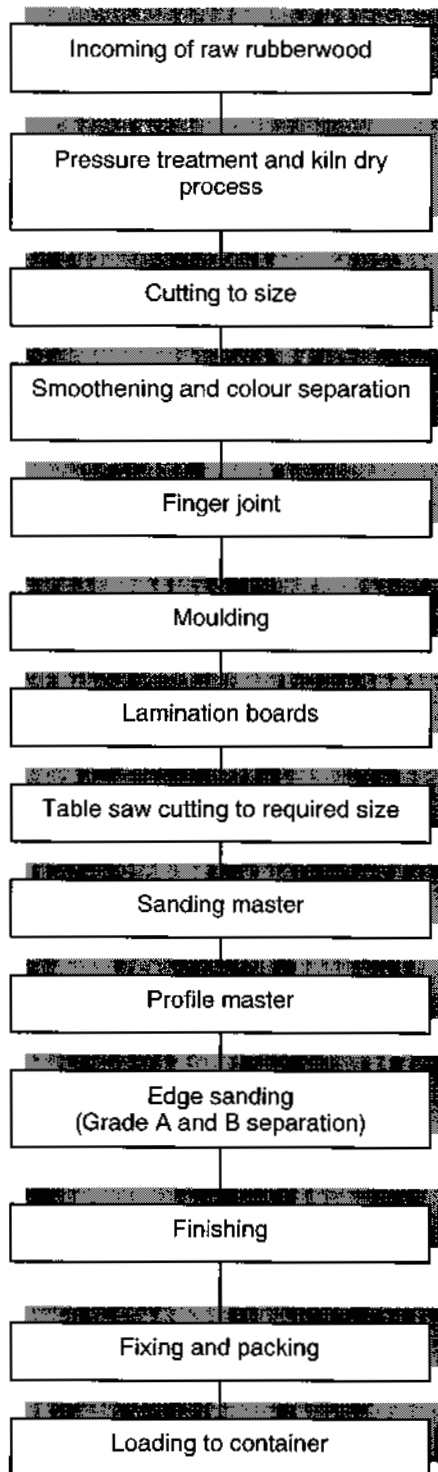
The Directors of DPS Resources believe that current production capacities together with the budgeted capital expenditure set out in sections 2.6.1.3 and 4.8.1.1, would be sufficient to meet the demand in the near future. Additional capital expenditure would be incurred where deemed necessary.

[ The rest of this page is intentionally left blank ]

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

**4.6.6 Manufacturing And Processing Activities**

The overview of manufacturing and processing activities of dining tables are set out below.



[ The rest of this page is intentionally left blank ]

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)****Pressure Treatment And Kiln Dry Process**

Incoming raw rubberwood are first subject to pressure treatment where they are loaded into large pressure cylinders and chemicals are infused at a high atmospheric pressure. This process ensures that the timber product is resistant to termites and rot. The treated wood, known as "wet wood" as it still contains a high moisture content, is then unloaded and checked for quality. Wet wood that falls below certain standards are rejected. The wet wood is then stacked into the kiln dry chambers for the drying process. This process removes the moisture content from the wood. Subsequently, the wood is unloaded from the kiln dry chambers and immediately wrapped with plastic shrink-wrap to ensure that the still warm wood does not reabsorb moisture.

**Cutting To Size**

The wood is cut to size and length using cutting machineries. The wood needs to be cut to avoid any unevenness, bend, crack or defeat.

**Smoothering And Color Separation**

Using machineries, surfaces of the wood are smoothered. Employees then separate the wood based on size and colour. This is to ensure that different pieces of wood that are to be finger jointed do not have a significant variation in colour, resulting in an unnatural look. Wood pieces that do not meet the minimum quality requirement are rejected.

**Finger Joint**

Wood pieces come in various odd lengths. To obtain wood pieces of a standard length, several odd pieces are joined together to form a single long piece of wood and later cut into the required size. An automatic machine is used to perform this task. Only the loading of wood of odd lengths and unloading of wood of finished lengths are carried out manually. Quality control employees then inspect the wood to ensure that quality standards are met.

**Moulding**

This automated process is performed to smoothen the joining surfaces of the finger joint strips, and to standardise their width and thicknesses.

**Lamination Board**

Several pieces of moulded wood strips of the same size are used to produce a lamination board. Using automated machineries, adhesive is applied to the length of the wood, and the wood strips are subsequently clamped together. The size and length of the moulded wood used, vary based on the size of the table surface. The clamping process, which takes approximately two (2) hours to complete, ensures that the adhesive dries properly before being released.

**Table Saw Cutting To Required Size**

The lamination board is cut and trimmed to required sizes.

**Sanding Master, Profile Master And Edge Sanding**

The sanding master process involves using automated machineries to sand the top and bottom surface of the lamination boards to obtain an even and smooth surface, and the required thickness. The profile master process involves a profiling process using automated machineries to form the table edges. After forming the table edges, the edges are sanded again to obtain the shape of the table edges. Quality control inspection is then undertaken by the employees to ensure that quality standards are met.

**Finishing**

This process involves the application of lacquer coating to the dining table board and table legs. They are then left to dry for several hours. The products are then checked by quality control personnel to ensure that the finishing is evenly applied on the wood surfaces.

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)****Fixing, Packing and Container Loading**

The finished tables are then packed for export shipment.

Manufacturing processes of dining chairs and other kitchen furniture are fairly similar to those of dining tables.

**4.6.7 New And Proposed Products**

Whilst DPS Resources Group's production versatility enables it to produce other furniture, at present, DPS Resources Group focuses on rubberwood kitchen furniture, and emphasizes on continuous manufacturing of innovative furniture with new designs. As set out in section 4.6.2, it uses the AutoCAD software for its furniture design. This software allows for specifications, drawings and prototypes to be performed efficiently and with great precision.

**4.6.8 Principal Markets And Major Customers**

As DPS Resources Group has been able to manufacture products of high quality at reasonable prices, its products of DPS Resources Group have gained acceptance both within and outside Malaysia. Nevertheless, in view of the vast market size in the export market, DPS Resources Group has focused and expects to continue to focus on selling its products to foreign wholesalers and large retailers. In 2003, based on total Malaysian export of rubberwood kitchen furniture of approximately RM392 million, DPS Resources Group was one of the largest rubberwood kitchen furniture exporters with approximately 12% market share. *(Source: Infocredit D&B).*

For the financial year ended 31 December 2003, export sales and profits which were solely derived from sales of rubberwood furniture, generated approximately 70% of total revenue of DPS Resources Group, and approximately 63% of total profit after taxation of DPS Resources Group. Further analyses of principal markets of DPS Resources Group for the financial year ended 31 December 2003 are set out below.

<b>Export Markets</b>	<b>Proportion Of Total Turnover (%)</b>	<b>Proportion Of Total Export Turnover (%)</b>
Europe	22.76	32.65
USA	18.42	26.42
Middle East	16.50	23.67
Asia Pacific	12.03	17.26
	69.71	100.00

Being focused on the export markets, DPS Resources Group is a net foreign currency exchange earner to Malaysia. This is in line with the policies of the Malaysian Government to improve the country's balance of payments position as well as to promote Malaysian-made products overseas.

**[ The rest of this page is intentionally left blank ]**

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

For the financial year ended 31 December 2003, the top ten (10) customers of DPS Resources Group are as follows:-

Customers (Country)	Items Sold	% Of Total Turnover	Length Of Relationship (Year)
Sunrise Point Sdn Bhd, Malaysia *	Treated and kiln-dried rubberwood	11.11	5
Mission Theme Sdn Bhd, Malaysia *	Treated and kiln-dried rubberwood	8.19	5
Mohd Azim Furniture L.L.C., UAE	Rubberwood furniture	5.41	6
US Tamex Corp, USA	Rubberwood furniture	3.94	5
Southern Roof System Sdn Bhd, Malaysia	Rooftruss and truss timber	3.79	3
Leeds Plywood And Doors Ltd, UK	Rubberwood furniture	3.70	8
Bargaintown Ltd, UK	Rubberwood furniture	3.54	5
Shing Huat Rooftruss Sdn Bhd, Malaysia	Rooftruss and truss timber	3.51	8
New Al Dhaid Furniture Ltd, UAE	Rubberwood furniture	3.16	5
Crown Mark Inc, USA	Rubberwood furniture	2.93	5
		<b>49.28</b>	

Note:-

\* These customers are also amongst the top suppliers of DPS Resources Group. Please refer to section 4.6.9.

For the financial year ended 31 December 2003, the top ten (10) customers of DPS Resources Group account for approximately 49.28% of total revenue. DPS Resources Group's length of relationships with these customers ranges from three (3) to eight (8) years. With its diverse and large customer base of approximately 220 export customers spanning across 73 countries (as at 15 July 2004), DPS Resources Group is not overly dependent on any single market or customer, and hence is able to diversify its business risks across a wide range of economies. It is in a strong position to weather any economic downturn in any one single market.

Whilst DPS Resources Group's rubberwood furniture are mainly exported, its semi-finished furniture components and rooftruss are sold to local furniture manufacturers and construction companies respectively.

DPS Resources Group's commitment to delivery and production schedules, and ability to meet demand on short notices, have resulted in good reputation, support and loyalty amongst its customers. It is confident of securing repeat orders from its customers.

**[ The rest of this page is intentionally left blank ]**



**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)****4.6.9 Raw Materials And Major Suppliers**

The single most important raw materials required by DPS Resources Group is inevitably rubberwood. For the financial year ended 31 December 2003, purchases of rubberwood represented approximately 60% of total purchases of DPS Resources Group. Other materials purchased by DPS Resources Group include furniture hardware, finishing chemical, sand paper and packing materials. At present, DPS Resources Group has been able to source all its materials from local suppliers at reasonable prices.

For the financial year ended 31 December 2003, the top ten (10) suppliers of DPS Resources Group are as follows:-

Supplier (Country)	Item Supplied	% Of Total Purchases	Length Of Relationship (Year)
Sunrise Point Sdn Bhd, Malaysia *	Furniture componenets	19.53	5
Mission Theme Sdn Bhd, Malaysia *	Furniture components	10.37	5
G-Wood Sdn Bhd, Malaysia	Raw rubberwood	9.03	6
Lam Seng Heng Paints (M) Sdn Bhd, Malaysia	Chemicals	5.38	4
Sieh Sing Trading Sdn Bhd, Malaysia	Raw rubberwood	3.55	6
Golden Clarion Sdn Bhd, Malaysia	Raw rubberwood	3.05	1
Gim Heng Enterprise Sdn Bhd, Malaysia	Raw rubberwood	2.76	5
Thong Nam Timber, Malaysia	Tropical wood for rooftruss	2.14	8
Evershine Ventures Sdn Bhd, Malaysia	Furniture components	2.09	5
Kilang Papan Sungai Mengkibol, Malaysia	Tropical wood for rooftruss	1.91	2
		59.81	

Note:-

\* These suppliers are also amongst the top customers of DPS Resources Group. Please refer to section 4.6.8.

DPS Resources Group has entered into various agreements with certain of its rubberwood suppliers which in essence, give the first rights of refusal to DPS Resources Group to purchase rubberwood at prevailing market prices. Whilst these suppliers do not have rubberwood concessions, they have been able to supply the quantities of rubberwood ordered by DPS Resources Group since the execution of the agreements in 2000. Further details of terms of the agreements are set out in section 13.5.

The Directors of DPS Resources are of the opinion that with its good working relationships with its suppliers, and its established track record for purchase and payment commitments, DPS Resources Group has access to a regular supply of raw materials at competitive prices. DPS Resources Group is confident that its suppliers will support the increase in raw materials requirements arising from the expected increase in its future output. Reliable supply of quality inputs translates into minimal disruption in its operations, thus avoiding losses that may occur from idle capacity and breaches of contracts. DPS Resources Group is not overly dependent on any single supplier. Further, the Directors of DPS Resources have confirmed that rubberwood could also be sourced from neighbouring countries, or alternatively, other types of wood could also be used as raw materials.

**[ The rest of this page is intentionally left blank ]**

---

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

---

**4.6.10 Quality Control Procedures**

DPS Resources Group places great emphasis in ensuring consistency and reliability of quality of its products. It has established and implemented stringent quality control measures at various stages of production. The entire manufacturing and processing process, from acceptance of raw materials to the production process, and the final delivery of finished products, are carefully monitored and controlled. The Directors of DPS Resources believe that the quality control procedures employed by DPS Resources Group have resulted in and will continue to result in high customers satisfaction and repeat orders.

To signify and as a recognition of its commitment towards high quality manufacturing processes, Shantawood has obtained the ISO 9001:2000 certification issued by Certification Body, BM Trada Certification Ltd, UK, in August 2000 for its manufacturing of furniture.

DPS Resources Group also regularly sends its products to major test laboratories for external testing. Amongst others, leg strength test, stability test, and stain and hot water resistance tests, are conducted.

**4.6.11 Research And Development**

Product life cycles of furniture models have become shorter due to the fast-moving furniture fashion trend (*source: Infocredit D&B*). DPS Resources Group has always recognised the significance of R&D to maintain a competitive advantage in the industry and has established its own in-house R&D unit. There are currently 13 personnel involved in R&D.

DPS Resources Group has planned to further upgrade its R&D facilities, by investing in new computer software and hardware, and other quality and standard checking tools. In general, R&D activities of DPS Resources Group revolve around firstly, new product designs and development, secondly, product and process improvement, and lastly, assessment of new technologies and production processes.

**4.6.11.1 New Product Designs And Development**

Product designs are carried out continuously by the R&D team who works closely with the business development and marketing team, headed by Datuk Dr Sow Chin Chuan, the Chairman and Managing Director. With the aid of the AutoCAD software and tools at its R&D room, new designs and prototypes are developed based on feedbacks from regular surveys and tracking activities on the latest trends and demands, and participation and attendance at international furniture trade fairs and exhibitions. At present, DPS Resources Group is focusing on designing furniture based on European contemporary and country styles.

**4.6.11.2 Product And Process Improvement**

The R&D team works closely with other departments to track and monitor all business or manufacturing processes, from sourcing of raw materials, to designing and packaging of finished goods. It then recommends improvements to maximise allocation of resources.

**4.6.11.3 Assessment Of New Technologies And Production Processes**

The R&D team participates in international machinery exhibitions, and actively studies feasibility of adopting new technologies and production processes. The R&D team also carries out basic modification of machineries, and design and fabrication of machinery activities.

**4.6.12 Interruptions In Business**

DPS Resources Group did not experience any interruption in the business which had a significant effect on its operations during the past twelve (12) months prior to the date of this Prospectus.

[ The rest of this page is intentionally left blank ]

#### 4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)

##### 4.6.13 Employees

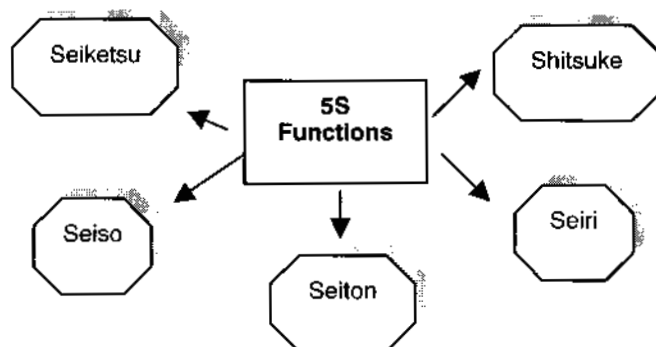
As at 15 July 2004, DPS Resources Group has a total of 652 employees. The Directors of DPS Resources are of the opinion that DPS Resources Group has one of the largest staff force amongst Malaysian rubberwood kitchen furniture manufacturers. The breakdown of the employees by categories is as follows:-

Category Of Employees	Malaysian	Non-Malaysian	Total	Average Years In Service
Managerial and professional	24	-	24	4
Technical and supervisory	24	* 30	54	3
Clerical and related occupations	26	* 2	28	3
General workers	6	-	6	2
Factory workers	45	* 495	540	3
	125	* 527	652	

Note:-

\* All the foreign employees of DPS Resources Group are contractual employees.

DPS Resources Group places strong emphasis on Human Resource Development (HRD). Various training and development programmes aimed at promoting a positive work environment and increasing employees' knowledge, are conducted throughout the year. DPS Resources Group's in-house training programmes include the 5S policies, which helps create awareness and encourage employees to improve quality, and promotes a safe and conducive working environment.



'5S' Functions (In Japanese)	English Definition
Seiri	Sort and discard all unnecessary items in the workplace
Seiton	Arrange necessary materials, parts, jigs, tools, measuring instruments and other essential items for easy retrieval and usage
Seiso	Cleanliness at the work place, which include, production floor, machinery, equipment and tools so that there is no dust
Seiketsu	Maintain a high standard of housekeeping and workplace organization at all times
Shitsuke	Follow good housekeeping discipline autonomously

Other training and development programmes undertaken by DPS Resources Group for its employees include the following:-

- \* Quality Control Procedures
- \* Materials Planning And Inventory Control
- \* Effective Purchasing Negotiation Skills
- \* Pricing Strategies In Tough Times
- \* Sales Tax

#### **4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

The Directors of DPS Resources are of the opinion that the dedicated, efficient and trained employees are instrumental to the success of DPS Resources Group. The Directors and management of DPS Resources Group have good working relationships with the employees. Employees of DPS Resources Group do not belong to any union. There has been no industrial dispute in the past between the Directors and management, and the employees of DPS Resources Group.

##### **4.6.14 Key Achievements/Milestones/Awards**

Shantawood was issued the ISO 9001:2000 certification by Certification Body, BM Trada Certification Ltd, UK, in August 2000, for its manufacturing of furniture. As international customers in non-tariff barrier markets such as the US and UK become more demanding in terms of quality, ISO certification is clearly a trade passport for these markets.

Other achievements of DPS Resources Group include the first prize for the "Best Product – Dining Category" at the Malaysian Furniture Export Exhibition (MAFEX) in 2003, the Golden Bull Award 2003 by Nanyang Siang Pau for being amongst the top 100 outstanding Small And Medium Enterprises (SME), and the 32<sup>nd</sup> International Trophy For Quality by Editorial Office, an international publishing house of trade and sectorial journals, as a recognition and promotion of the organizational quality philosophy which allows the enterprise to achieve excellence.

As set out in section 4.6.2, DPS Resources Group became one of the pioneers in using fully automated finger joint machines when it imported the German technologies in 1997. Prior to using these machines, wood pieces are joined manually which was less efficient and resulted in products of lower quality.

##### **4.6.15 Modes Of Marketing/Distributions/Sales**

The Directors of DPS Resources Group attribute success of DPS Resources Group to its understanding of customers' needs and requirements which arises from regular visits to its customers. To maintain good relationships, DPS Resources Group also constantly offers promotional items to its existing customers.

Regular participation in and attendance at several furniture trade exhibitions in countries such as Canada, China, Dubai, France, Germany, Russia, the USA and UK, also provide platforms for DPS Resources Group to meet potential customers and suppliers, to understand the latest market trends, to gather ideas for new product designs, and to promote its own three-leaves green trademark.

##### **4.6.16 Dependency On Patents, Licences, Industrial, Commercial Or Financial Contracts, And/Or New Manufacturing Processes**

In respect of patents, DPS Resources Group is not overly dependent on patents for its business or profitability. At present, DPS Resources Group mainly manufactures in accordance to customers' specifications. Nonetheless, to gradually build and strengthen its brand recognition, DPS Resources Group has begun to emboss Shantawood's three-leaves green trademark in strategic positions of its ODM products. Further information on the trademark has been set out in section 4.6.4.

Similar to business entities in the country, operations of DPS Resources Group are subject to the relevant legislations enforced by the Malaysian Government. DPS Resources Group has obtained all relevant licences required for its operations, the details of which have been set out in section 4.6.3.

Consistent with industry norm, DPS Resources Group does not enter into long-term contracts with its customers. Retention of customers is principally secured through its commitment to delivery of high quality products. In terms of supplies, as set out in section 4.6.9, DPS Resources Group has entered into various agreements with certain of its rubberwood suppliers. Nonetheless, as DPS Resources Group has been able to source its rubberwood from various other suppliers, the Directors of DPS Resources are of the opinion that DPS Resources Group is not overly dependent on any of the suppliers.

---

#### **4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

---

In section 4.6.2, it has been set out that to achieve higher degrees of precision and quality, and to reduce its dependence on labour, DPS Resources Group has gradually adopted contemporary technologies and used automated machineries from countries such as Germany, Italy, Taiwan and UK. Going forward, to ensure that its competitiveness is not eroded, DPS Resources Group would continue to keep itself abreast with, and invest in, contemporary technologies.

##### **4.6.17 Location Of Business**

###### **Principal Assets**

The land and buildings of DPS Resources Group are set out in section 8.1.

###### **Production Facilities**

The production facilities of DPS Resources Group are set out in section 4.6.5.

###### **Principal Place Of Business**

The principal place of business for DPS Resources Group is at Lots 76 and 77, Kawasan Perindustrian Bukit Rambai, 75250 Bukit Rambai, Melaka.

###### **Marketing And Distribution Network**

DPS Resources Group distributes directly to retailers through its sales and marketing force, and indirectly through local and foreign wholesalers.

**[ The rest of this page is intentionally left blank ]**

#### **4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

##### **4.7 Industry Overview**

##### **4.7.1 Overview Of The Malaysian Economy**

##### **4.7.1.1 Malaysian Economy In 2003**

While events in the first half of the year had an impact on growth, the mutually reinforcing combination of strong economic fundamentals, supportive monetary and financial policies and decisive Government action provided the platform for growth to accelerate in the second half. For the year as a whole, real gross domestic product (GDP) expanded by 5.2% (2002: 4.1%), exceeding the official forecast of 4.5%.

Growth in 2003 was broad based and balanced across sectors. The manufacturing sector grew by 8.2% on the back of strong production growth, both in the export-oriented and domestic-oriented industries. In 2003, GDP growth was private sector-driven. Private expenditure contributed 2.5 percentage points to the 5.2% growth rate.

A significant development in 2003 has been the turnaround in private investment, which increased by 1.1% after two years of contraction. The improved economic outlook, particularly in the second half, stronger corporate balance sheets and cashflow positions and high capacity utilization, especially in the manufacturing sector, prompted increased capital spending.

Coming into 2003, the Malaysia economy was already in a strong position. Private sector activity was exhibiting an upward trend. Commodity prices remained high, providing a significant positive multiplier effect on rural incomes. Further, both the monetary and fiscal stance were conducive to sustaining growth without increase in risk, given the benign inflation outlook, strong external position and the sustainable public sector finances. Given this strength, it was assessed that the economy had the resilience to absorb the impact of uncertainties that could adversely affect growth prospects.

By the second quarter however, the unforeseen SARS outbreak and the weaker-than-expected global economic conditions prompted new policy measures. A comprehensive economic stimulus and relief package was announced by the Government, encompassing fiscal and financing measures that were designed to provide immediate relief to affected sectors, diversify economic activity and improve long-term competitiveness.

*(Source: Bank Negara Malaysia Annual Report 2003)*

##### **4.7.1.2 Malaysian Manufacturing Sector In 2003**

In 2003, output growth in the manufacturing sector gained momentum especially in the second half-year, following the broad-based recovery in the global economy and strengthening domestic demand. Manufacturing production growth strengthened to 10.5% (2002: 4.5%), with expansion across a wide range of products in both the export and domestic oriented industries. Consonant with the pick-up in production activities, value-added growth of the manufacturing sector doubled to 8.2% (2002: 4%), and contributed significantly to overall GDP growth. Consequently, the share of the manufacturing sector in GDP rose slightly to 30.9% (2002: 30.1%). The capacity utilisation rate in the manufacturing sector remained high at 82% in 2003 (2002: 82%), with the export and domestic oriented industries operating at 86% and 77% respectively (2002: 83% and 81% respectively).

In the manufacturing sector, ongoing structural shift has become more evident as the sector's competitive advantages adjust from labour-intensive to higher technology-driven manufacturing processes. Greater efficiency in the use of resources is being realised through manufacturing companies operating more at a regional level, as seen in the relocation of some of the more labour-intensive industries to lower-cost countries. Key indicators such as the contribution of the manufacturing sector in terms of value added and employment, flows of investment as well as the retrenchment trend clearly suggest that the manufacturing sector continues to remain resilient.

*(Source: Bank Negara Malaysia Annual Report 2003)*

#### 4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)

##### 4.7.1.3 Prospects Of The Malaysian Economy In 2004

The Malaysian economy is expected to strengthen further in 2004, building on the strong growth momentum in the second half of 2003 and brighter prospects for global growth in 2004. Real GDP is expected to expand by 6-6.5% (2003: 5.2%), underpinned by stronger domestic demand and reinforced by more favourable external demand. Growth will mainly be private sector-driven, while the public sector gradually consolidates. The growing consumer and business confidence since the second quarter of 2003, strengthened economic fundamentals and the positive impact of pro-growth fiscal and monetary measures are expected to mutually reinforce robust consumer spending and the upturn in private investment activities.

The projections for growth in 2004 are based on a stronger global economic growth of 4.1% and led by synchronised recovery across all regions, an upturn in the global electronics cycle and firm prices for crude palm oil and crude oil. With the growth in Asia stronger than the global average, Malaysia is also expected to benefit from the continued expansion in intra-regional trade. The expectation of the stronger pace of growth is also premised on the strength and dynamism of the private sector performance, especially the strength of the upturn in domestic investment. Evidence of higher new investments and capacity expansion are indicative that the recovery in economic growth is sustainable.

While possible downside risks remain, the strong underlying fundamentals will provide strong foundations for economic resilience and future growth.

*(Source: Bank Negara Malaysia Annual Report 2003)*

##### 4.7.2 Overview Of The Malaysian Rubberwood Furniture Industry

Previously a small cottage industry producing mainly for the domestic market, the local furniture industry now comprises a large number of establishments with automated plants and sophisticated machineries which produce mass volumes for export. It is estimated that in 2000, there were approximately 3,500 furniture manufacturers in Malaysia. *(Source: Infocredit D&B)*. Expansion of the Malaysian furniture industry as evidenced by the growing number of establishments, production capacities and workforce employed is detailed below.

Year	No. Of Establishments	Production Capacity (M <sup>3</sup> Of Wood)	Workforce Employed
1985	450	75,000	10,000
1990	1,680	150,000	18,000
1995	3,000	280,000	39,000
2000	3,500	540,000	47,000

*(Source: Infocredit D&B)*

Furniture products in Malaysia can be broadly categorized into five (5) main subgroups, namely wooden, rattan, metal, plastic and other furniture. Furniture products include kitchen furniture, bedroom furniture, outdoor furniture and occasional furniture. *(Source: Infocredit D&B)*.

##### 4.7.2.1 Competition

Local furniture manufacturing is largely fragmented. Local furniture manufacturers can be classified according to their degree of specialization in production. There are manufacturers which handle only one (1) or two (2) processes, such as making of components. Some manufacturers concentrate on producing mass volumes of limited range of furniture, such as dining sets. Other manufacturers focus on making customized furniture for niche markets. *(Source: Infocredit D&B)*.

[ The rest of this page is intentionally left blank ]

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

An estimated 81% are small-scale manufacturers, while the remaining 19% are medium-sized to large-sized establishments equipped with modern and automated machineries. Smaller players generally concentrate on producing homogeneous products, whilst larger players generally compete based on design and quality. Larger establishments are mainly export-oriented. (Source: Infocredit D&B).

Year	No. Of Establishments	Large-Sized Establishments (> 100 Workers) (%)	Medium-Sized Establishments (50 - 100 Workers) (%)	Small-Sized Establishments (< 50 Workers) (%)
2000	3,500	3	16	81

(Source: Infocredit D&B)

It is estimated that only 10% of local furniture manufacturers have paid-up capitals exceeding RM2.5 million. The remaining 90% is estimated to be made up of manufacturers with paid-up capitals below RM2.5 million, thus falling within the Small Medium Industries (SMI) category. Of the 90% of SMI furniture manufacturers, only 25% is estimated to have a paid-up capital ranging between RM500,000 to RM2.5 million. (Source: Infocredit D&B).

Infocredit D&B (Malaysia) Sdn Bhd has estimated that there are approximately 180 local players involved in rubberwood kitchen furniture category. In terms of staff strength, DPS Resources Group ranks third. (Source: Infocredit D&B).

In 2003, export of rubberwood kitchen furniture was at approximately RM392 million. Collectively, the top 20 local players contributed more than 90% of the exports. At 12% market share, DPS Resources Group was one of the largest Malaysian rubberwood kitchen furniture exporter. (Source: Infocredit D&B).

Going forward, local furniture manufacturers need to focus on new product designs, enhance quality, produce value-added products, and explore new markets such as West Asia. These manufacturers have recognised the need for upgrading and modernization in order to remain competitive. The Malaysian Furniture Manufacturer Association (MFMA) has urged them to move towards original design manufacturing instead of being dependent on contract manufacturing. With these priorities, local furniture manufacturers are set to compete with lower-cost furniture manufacturers such as those in China, Indonesia, Philippines, Thailand and Vietnam. (Source: Infocredit D&B).

**4.7.2.2 Barriers To Entry**

Barriers to entry serve as limitation to the number of market players in a particular industry or sector. A key challenge to rubberwood furniture manufacturers competing in the international arena is manufacturing of quality products that meet specifications of stringent international standards at reasonable prices. As such, absence of established customers, lack of economies of scale, and skilled manpower and high capital investments for process automation required, pose significant barriers to entry to the international rubberwood furniture market. (Source: Infocredit D&B).

**4.7.2.3 Demand Conditions**

In 2003, annual export of the local furniture industry was approximately RM6 billion. By 2005, annual export of the furniture industry is envisaged to hit RM7 billion. In 2002, Malaysia was the 14th largest furniture exporting nation. Malaysia is ranked among the top exporting furniture nations in both Japan and the USA. With 85% of its manufactured furniture being exported to over 150 countries, Malaysia also had the highest furniture exports to production ratio. Demand for Malaysian furniture is on the rise worldwide as buyers are becoming increasingly attracted and satisfied with the quality and value of the products. (Source: Infocredit D&B).

[ The rest of this page is intentionally left blank ]



**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

Year	Value Of Furniture Exported						Growth (%)
	Wooden (RM'million)	Rattan (RM'million)	Metal (RM'million)	Plastic (RM'million)	Others (RM'million)	Total (RM'million)	
1999	3,924	61	661	22	255	4,923	21
2000	4,446	70	824	25	232	5,597	14
2001	3,794	70	732	17	209	4,822	(14)
2002	4,174	68	680	12	503	5,437	13
2003	4,670	52	688	15	496	5,921	9

(Source: Infocredit D&B)

After a year of contraction in 2001 due to the global economic downturn, the Malaysian furniture industry rebounded in 2002 with a sharp increase in overseas demand for Malaysian-made furniture. Total exports of furniture improved by 12.8% and 8.9% in 2002 and 2003 respectively. The wood furniture sector accounted for 78.9% in 2003 with an export value of RM4.7 billion. Malaysia is a major supplier of wooden furniture to traditional markets such as Europe, Japan, the Middle East countries, UK and the USA. Rubberwood is a major raw material in the wood furniture sector, and is widely accepted by international markets. An estimated 80% of wooden furniture exported is made from rubberwood. In 2003, the largest importers of Malaysian rubberwood kitchen furniture are countries in Europe, Oceania/Pacific and the USA. (Source: Infocredit D&B).

Notwithstanding the strong growth and potential of the export market, the vast potential of the domestic market has remained unexplored. The steady growth of households in Malaysia at an average annual growth of 3.0% (1993 to 2003), is a positive indicator to the increasing domestic demand for household furniture. (Source: Infocredit D&B).

**4.7.2.4 Supply Conditions**

The rubberwood furniture industry depends on the supply of rubber trees for adequate supply of wood. The continuous availability of rubberwood has been a major driving force behind the rapid development of the local furniture industry. At present, in Malaysia, there are approximately 1.32 million hectares of rubberwood plantations. (Source: Infocredit D&B).

Nonetheless, the rapid growth of use of rubberwood has inevitably caused concerns on future availability of the wood. There has been a decreasing rate of rubber tree replanting in the past decades as estate owners and smallholding planters prefer oil palm plantation which provides a better return. In response to the potential threat, the Malaysian Government has taken preventive measures since the Sixth Malaysia Plan. The Pilot Rubber Forest Plantation Project commenced on 17 October 1991 to identify potential species of rubber trees with higher yields, to identify agronomic inputs as well as the most suitable management system for an economical and viable establishment of rubber forest plantation, and to ensure future supply of planting material. Rubberwood is currently available as a by-product from agricultural plantations when replanting is carried out at intermissions of 15 to 25 years. Going forward, instead of relying on by-products from agricultural plantations, rubberwood supplies are expected to be sourced from new species of rubber trees that produce higher yields in timber. In 2003, the Malaysian Government announced plans to replant approximately 25,000 hectares of rubber trees per year for the next 15 years. Towards this end, the Malaysian Government is set to establish a Rubber Forest Plantation Fund with an initial allocation of RM200 million as soft loans to eligible companies and organizations. The Malaysian Government has also put in place incentives as encouragement for non-rubber plantation companies to convert their existing plantations into rubberwood trees. (Source: Infocredit D&B).

With the various measures put in place by the Malaysian Government, and with availability of supply of rubberwood in neighbouring countries, it is expected that rubberwood furniture manufacturers would be able to obtain adequate supplies of rubberwood in the near future. (Source: Infocredit D&B).

---

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

---

**4.7.2.5 Capital And Labour Intensiveness**

At present, generally, the local furniture industry is still very much labour intensive. The production of rubberwood furniture requires an array of labour intensive tasks, which include cutting, laminating, surfacing and sanding. Local players have sourced for foreign workers as a measure to curb labour shortages. Nonetheless, to meet international quality standard, and to reduce its dependence on labour, larger players have adopted contemporary technologies and used automated machineries. *(Source: Infocredit D&B).*

**4.7.2.6 Substitutes**

Furniture can be manufactured from a wide range of materials. Depending on the application and end-use, other than the traditional materials such as wood, rattan, metal and plastic, furniture can also be manufactured using cement, ceramic, fiberglass, marbles, and other special materials. *(Source: Infocredit D&B).*

Nonetheless, rubberwood has certain competitive attributes. Amongst others, rubberwood is durable, its light colour can be left as natural colour or can be easily stained with other colours, and its fine wood texture enhances the attractiveness of end products.

**4.7.2.7 Laws, Regulations And Incentives**

The Malaysian Government has continuously encouraged the growth of the furniture industry. There has been continuous offering of investment incentives and facilities, which include award of pioneer status with fixed tax-exemption period, subsidies in the form of tax relief for capital investment and reinvestment allowances, and manpower training. The Malaysian Government, through the Malaysian Timber Council (MTC) and the Malaysian Timber Industry Board (MTIB) has contributed greatly to the success of the furniture industry via provision of continuous advisory services and technical expertise. The Forest Research Institute Of Malaysia (FRIM) has also been providing technical support on amongst others, efficient use of raw materials, overcoming of production issues, and testing services for local furniture manufacturers. Specifically, for the rubberwood furniture industry, the Malaysian Government had in Budget 2003 expressed its continuous support for the industry by taking measures to sustain supply of rubberwood. *(Source: Infocredit D&B).*

To promote local made furniture, Malaysia has been progressively promoting the International Design Export Centre (IDEC) under its ODM strategy. A two-pronged approach, the ODM strategy aims to stimulate exports, and to cultivate high standards locally designed furniture. The Malaysian International Furniture Fair organized by the Malaysian Furniture Industry Council (MFIC) has also created much interest amongst international buyers. In 2003, the fair recorded more than 6,000 international visitors from 122 countries, and RM1.97 billion worth of export sales. *(Source: Infocredit D&B).*

General laws, regulations and incentives governing and applicable to manufacturing and sales activities are also applicable to the market players in the furniture industry. *(Source: Infocredit D&B).*

[ The rest of this page is intentionally left blank ]

#### 4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)

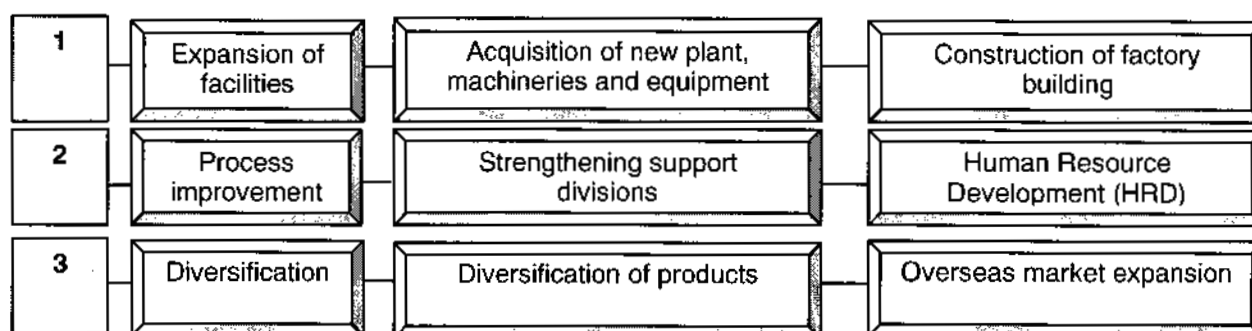
##### 4.7.2.8 Prospects And Outlook

International buyers have become more demanding in terms of design, quality, safety, and pricing. Local furniture manufacturers have recognised the need for upgrading and modernization in order to remain competitive. The gradual shift from OEM to ODM strategies has been identified as the next growth spurt of the local furniture industry. With enhanced R&D and continuous support of the Malaysian Government, it is expected that Malaysia could offer furniture of world-class renowned brands. Malaysian furniture manufacturers have already captured the markets they need. Those that are competitive in terms of quality and pricing, and offer products catering to the latest trends, are poised to achieve greater growth. (Source: Infocredit D&B).

#### 4.8 Future Plans And Strategies, And Prospects

##### 4.8.1 Future Plans And Strategies

With its vision to achieve world-class quality standards in furniture design and capabilities, and to position itself as a leading Malaysian furniture manufacturer in the international arena, DPS Resources Group has set out a three-pronged strategic expansion plans.



##### 4.8.1.1 Expansion Of Facilities

In anticipation of increasing demand for its products, DPS Resources Group has identified expansion of its current facilities as a key growth factor. DPS Resources Group has planned to construct a new factory building at P.T. No. 4169, Mukim of Tanjung Minyak, District of Melaka Tengah, Melaka, a piece of its industrial land. The Directors of DPS Resources expect both commencement and completion of construction of the building to be in 2004. DPS Resources Group plans to use the new factory building for sorting and grading of rubberwood.

DPS Resources has also planned to construct a warehouse to store finished goods, and a dormitory for its employees, at P.T. No. 4095 and 4096. The building plans for these purposes have been approved by Majlis Perbandaran Melaka Bandaraya Bersejarah via its letter dated 6 June 2001. The Company would proceed with the construction of the buildings upon transfer of titles of the land to Shantawood.

In aggregate, a capital budget of RM12 million has been allocated for capital investments in new buildings, plant, machineries and equipment over the next three (3) years. These capital expenditures are planned to be financed using the proceeds from the Restricted Issue and Public Issue, and internally generated funds.

##### 4.8.1.2 Process Improvement

As DPS Resources Group continues to focus on customers' satisfaction, it has resolved to continuously strengthen its support divisions. Amongst others, DPS Resources Group aims to enhance its marketing unit by continuously providing quality after-sales service, and enhance its R&D unit by allocating larger funds for product development and product enhancement.

---

**4. INFORMATION ON DPS RESOURCES GROUP (CONT'D)**

---

DPS Resources Group has also identified Human Resource Development (HRD) as a key strategy in its process improvement. The Directors of DPS Resources believe that with continuous in-house programmes aimed at promoting a positive work environment and increasing employees' knowledge, overall morale and productivity of employees of DPS Resources Group would increase, which ultimately results in increased efficiency and lower production costs.

**4.8.1.3 Diversification**

Whilst DPS Resources Group focuses on mass production of customised rubberwood kitchen furniture, it has been seeking opportunities to target higher end markets, which generate higher profit margins. Further, to widen its target markets, DPS Resources Group has also planned to expand into amongst others, the manufacturing of household furniture over the next few years. DPS Resources Group also aims to penetrate further into overseas markets. It has participated in and/or attended numerous exhibitions in countries such as Canada, China, Germany, Russia and USA.

**4.8.2 Prospects**

Consistent with the favourable outlook of the local furniture industry, and coupled with its established reputation and track records, and its future plans and strategies, the Directors of DPS Resources are of the opinion that with its continued focus on the export market and production of quality furniture, DPS Resources Group is set for continued growth.

**[ The rest of this page is intentionally left blank ]**