



Competitive  
Strengths  
for a promising  
future

Annual Report  
2006

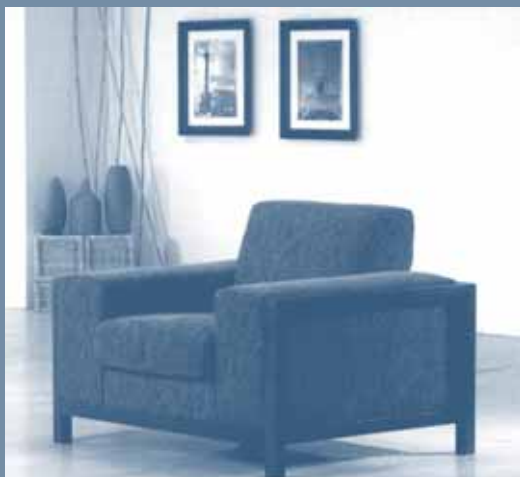


UDS CAPITAL BERHAD

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## As we progress into the future,

we remain competitive through performance, flexibility and innovation. Our enthusiasm and belief in our prospects and potential for a promising future is a major factor in improving existing products and discovering new ones. In pursuit of continuous excellence, we will remain focused on enhancing growth through anticipating the needs of our customers and seizing new opportunities in a challenging marketplace.

# CORPORATE INFORMATION

## DIRECTORS

### **Dato' Koh Low @ Koh Kim Toon**

Executive Chairman

### **Neo Chee Kiat**

Managing Director

### **Dato' Tan King Tai @ Tan Khoon Hai**

Executive Director

### **Neo Tiam Hock**

Executive Director

### **Ng Sey Wee @ Ang Seh Wee**

Executive Director

### **Ng Ah Leet @ Ah Heet**

Non-Independent  
and Non-Executive Director

### **Teh Eng Aun**

Independent Non-Executive Director

### **Khairilnuar Bin Abdul Rahman**

Independent Non-Executive Director

### **Hj Ismail Bin Tunggak @ Hj Ahmad**

Independent Non-Executive Director

## AUDIT COMMITTEE

Teh Eng Aun

Committee Chairman

Dato' Tan King Tai @ Tan Khoon Hai

Khairilnuar Bin Abdul Rahman

Hj Ismail Bin Tunggak @ Hj Ahmad

## NOMINATION COMMITTEE

Hj Ismail Bin Tunggak @ Hj Ahmad

Committee Chairman

Teh Eng Aun

## REMUNERATION COMMITTEE

Hj Ismail Bin Tunggak @ Hj Ahmad

Committee Chairman

Teh Eng Aun

Dato' Tan King Tai @ Tan Khoon Hai

## SECRETARY

Tan Wang Giap

MACS 00523

## AUDITORS

John Lim & Associates

Chartered Accountants

## PRINCIPAL BANKERS

Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

## SOLICITORS

Fadzilah, Ong Chee Seong & Associates

Zaid Ibrahim & Co.

## REGISTRARS

Plantation Agencies Sdn Berhad

Standard Chartered Bank Chambers

Lebuh Pantai,

10300 Penang Pulau Mutiara

Tel: 04-2625333

Fax: 04-2622018

## REGISTERED OFFICE

67, 2nd Floor

Room B, Jalan Ali

84000 Muar, Johor Darul Takzim

Tel: 06-9541818

Fax: 06-9525823

## PRINCIPAL PLACE OF BUSINESS

PTD 6001, Jalan Perindustrian 5

Kawasan Perindustrian Bukit Bakri

Batu 8, 84200 Muar

Johor Darul Takzim

Tel: 06-9865236

Fax: 06-9865239

Email: udholdings @ myjaring.net

## STOCK EXCHANGE LISTING

Second Board of the

Bursa Malaysia Securities Berhad

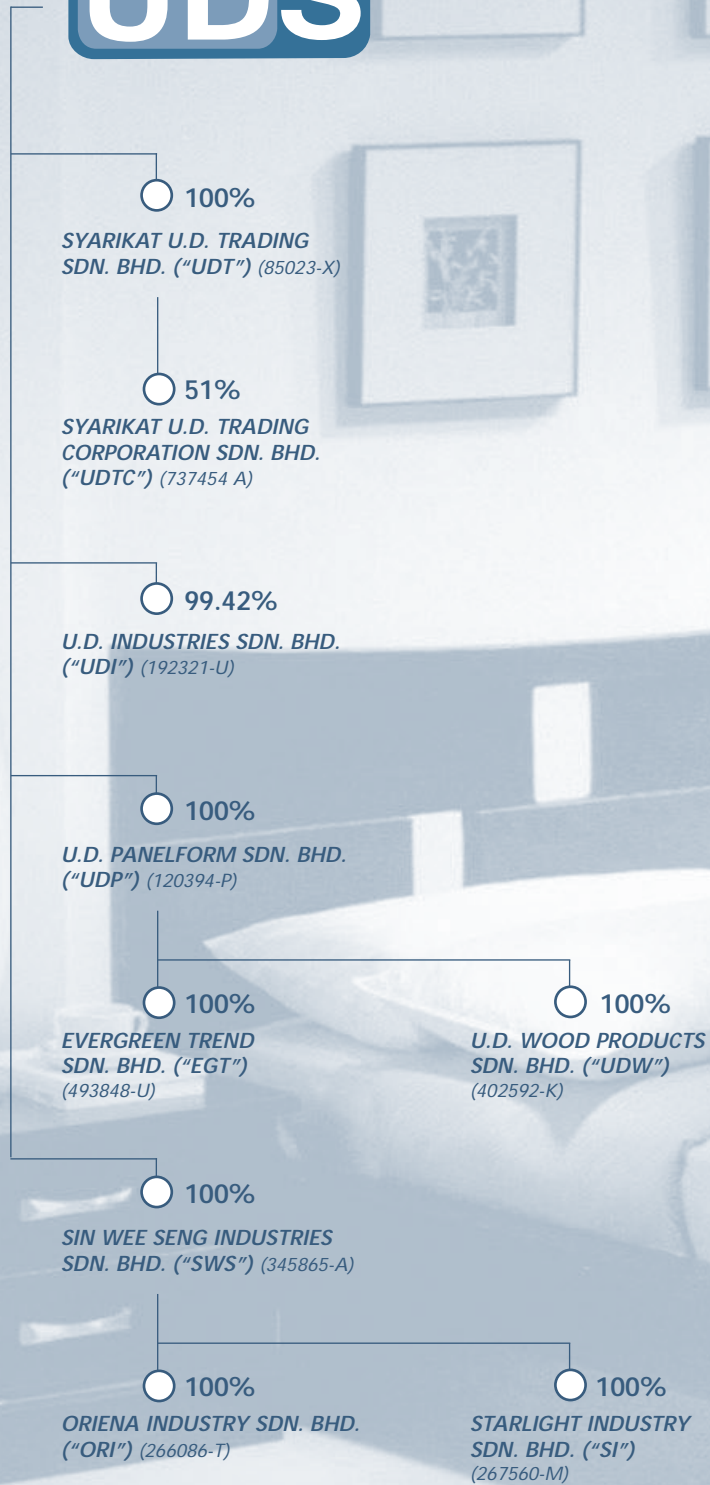
## WEBSITE

[www.udmalaysia.com](http://www.udmalaysia.com)





# CORPORATE STRUCTURE





## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of UDS Capital Berhad, I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and the Company, for the year ended 31 August 2006.

### Review of Operations

The Malaysian economy has grown at a steady rate in 2006, registering a real GDP growth of 5.9% in the second quarter from 5.5% in the first quarter. Economic activity continued to be driven by the private sector. Despite expected moderation in global growth in 2006, it is forecast that the local economy will maintain the growth momentum in the second half of the year with the projects under the Ninth Malaysia Plan (9MP) scheduled to take off. Whilst oil price still remains high, the recent moderation from its peak, if sustained, will help to stabilize raw materials and components prices, and contain inflationary pressures in the

near future. Our central bank's monetary policy to leave key interest rate unchanged is also a positive factor for the domestic economy.

The Group's efforts to expand its business in the export markets have shown good result, with exports recording an increase over the last financial year's export turnover. To meet the increasing demand, more products would be designed and developed to broaden the sale of upholstered furniture (sofas and settees) in the future.

### Financial Review

Through the proper execution of its established key business strategies, the Group's business has continued to grow amidst an increasingly challenging and competitive business and operating environment. The Group recorded a turnover of RM116.1 million for the financial year under review representing a 18.1% turnover growth over the

previous financial year's turnover of RM98.3 million.

The Group incurred a net loss after taxation of RM9.4 million as compared to a net profit after taxation of RM4.6 million achieved in the previous financial year. These losses are mainly due to the prudent stock control and impairment losses as the result of the early adoption of the new and revised Financial Reporting Standards effective for the financial period beginning 1 September 2005.

The poor performance of the Group for the financial year under review had been contained and is expected to improve through the various strategic measures that have been adopted by the Group.

### Future Prospects

Going forward, prospects for the overall global economy remain positive, despite



## CHAIRMAN'S STATEMENT CONTINUED



## CHAIRMAN'S STATEMENT CONTINUED

the high oil prices and the high interest rates. With the recovery in Japan and Europe, and the underlying growth momentum in the regional economies, especially the large economies remaining strong, the global growth continues to be broader based. Growth is expected to be sustained in the second half of the year. Continued favorable performance in the regional economies would lend further support to intraregional trade and investment. The Malaysian economy is expected to sustain its growth momentum in the first half year. Growth would continue to be driven by domestic demand, particularly private sector activity and by the external sector amidst high commodity prices.

Nevertheless, the Group expects the business and operating environment to be increasingly challenging and competitive. To sustain growth, profitability and long-term competitiveness in the mid to long term, the Group will focus on the execution of its established key business strategies plan:

- Progressively introduce new products with higher profit margin to boost the revenue stream of the Group;
- Increase its efforts to penetrate further into the export markets, especially South East Asia, the Middle East and China.



## CHAIRMAN'S STATEMENT CONTINUED



GDP GROWTH OF

# 5.9%

IN THE SECOND QUARTER  
FROM 5.5% IN THE FIRST  
QUARTER

- Further exploit on the business potential of the Latin-America market to take advantage of the Latin-America Anti-Dumping regulations for certain furniture products which exclude Malaysia. The Group has recently secured several orders for exports to Latin-America and discussions with other potential customers are in progress.
- Continue to seek out targets in the furniture industry for potential merger and acquisition or joint venture, which can provide a synergistic effect to the overall business of the Group in terms of revenue, profitability, market channels and operation efficiencies. On 25 August 2006, UDS Capital Berhad had entered into a Sale & Purchase of Shares Agreement with Tycoon Success Sdn. Bhd. to acquire from the latter the 51% equity interest in Poh Keong Industries Sdn. Bhd. (PKI) that will provide the Group with the opportunity to tap into different market segments. The Group will also have immediate access to the distribution channels of PKI. The acquisitions will present the opportunity for the Group and PKI to co-operate and synergize their operations, in terms of business, operating costs and human resources to achieve higher turnover and profitability. The Group is targeting to grow the revenue contribution from the acquisitions to reach 15% of the Group's total revenue in the next three years.



## CHAIRMAN'S STATEMENT CONTINUED

The Group will continue its focus on cost containment, productivity and operation efficiency to strengthen its competitiveness in the market. With the clear business direction and strategies, I have confidence that the Group's performance will achieve a turn around in the near future.

### Dividends

The Board has decided to adopt a prudent approach not to recommend a dividend payment for the year ended 31 August 2006 as the Company need to preserve cash reserves for the continued expansion.

### Appreciation

The Board of Directors and I would like to thank our valued shareholders, customers, vendors, business associates, bankers, media, government authorities and regulatory bodies for continuing to extend their confidence and support towards the Group. I would also like to express my sincere thanks to my fellow directors, management team and all employees of the Group for their continual dedication and diligence to achieve the objectives and goals set for the Group.

**Dato' Koh Low @ Koh Kim Toon**  
Group Executive Chairman

15 January 2007



# DIRECTORS' PROFILE

## **Dato' Koh Low @ Koh Kim Toon**

Executive Chairman

Aged 54, a Malaysian, is the Executive Chairman of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He is the founder of the UDT Group and is presently the Managing Director of UDI, UDP, UDW and EGT. He has more than 23 years of experience and expertise in the furniture industry. His vision and stewardship over the past 23 years has taken the wood-based furniture, fixture and accessories division of the Group from a small scale manufacturer into its current position as one of the major lamination board manufacturers in Malaysia. He specialises in both the manufacturing and the marketing field of the wood-based furniture, fixtures and accessories division of the UDS Group and is currently responsible for the overall business operation and strategic planning. He is the Adviser to the Muar Furniture Association and sits on the board of Emivest Berhad, a company listed on the Main Board of the BMSB and a few other private limited companies. He has no family relationship with any other Director or Major Shareholder of the Group.

## **Neo Chee Kiat**

Managing Director

Aged 36, a Malaysian, is the Managing Director of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He assisted his

father in the day-to-day marketing and sofa operation of Kim Seng sole proprietorship business in 1988 and later he joined SWS as a Director. With more than 17 years experience in the manufacturing of sofa furniture, he has steered SWS from a small-scale manufacturer to being one of the major sofa manufacturers and exporters in Malaysia. He is responsible for the overall business planning and marketing strategy of the upholstered furniture division of the UDS Group. He is the Honorary Secretary to the Johor Furniture Association and the Chinese Correspondent in the Federation of Johor Furniture Manufacturers and Traders Association and also sits on the board of a few private limited companies. Mr. Neo Chee Kiat is the eldest son of Mr. Neo Tiam Hock.

## **Dato' Tan King Tai @ Tan Khoon Hai**

Executive Director

Aged 51, a Malaysian, is the Executive Director of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He is a member of The Institute of Certified Public Accountants, Ireland and is currently committee member of The Institute of Commercial and Industrial Accountants, Malaysia. He obtained his Master of Business Administration majoring in Accounting and Finance from Clayton University, Missouri, United States of America in 1999. He has over 27 years of experience in the fields of auditing, accounting and company secretarial

services. He is the Director of UDT since June 2002 and is responsible for corporate planning, finance and management of the company. He sits on the board of Pensonic Holdings Berhad and Unimech Group Berhad which are listed on the Second Board of the BMSB. He also sits on the board of a few private limited companies. He has no family relationship with any other Director or Major Shareholder of the Group.

## **Neo Tiam Hock**

Executive Director

Aged 60, a Malaysian, is the Executive Director of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He is the founder of SWS. He has more than 41 years of experience and expertise in the furniture industry, which has helped the Group in the growth of its upholstered furniture division. He is responsible for the overall business operation of the upholstered furniture division of the UDS Group. He also sits on the board of a few private limited companies. Mr. Neo Tiam Hock is the father of Mr. Neo Chee Kiat.

## **Ng Sey Wee @ Ang Seh Wee**

Executive Director

Aged 60, a Malaysian, is the Executive Director of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He has

## DIRECTORS' PROFILE CONTINUED

approximately 11 years of working experience in the furniture industry and is involved in the daily operations of the wood-based furniture, fixture and accessories division of the UDS Group. His responsibility includes sourcing of raw materials, marketing and management of the wood-based furniture, fixtures and accessories division. He also sits on the board of a few private limited companies. He has no family relationship with any other Director or Major Shareholder of the Group.

### **Teh Eng Aun**

Independent Non-Executive Director

Aged 55, a Malaysian, was appointed as the Independent Non-Executive Director of UDS on 30 November 2003. He obtained his Bachelor of Commerce degree from the University of Newcastle, New South Wales, Australia in 1975. He practised as a chartered accountant in a public accounting firm between 1981 and 1995. In 1996, he joined UT Securities Sdn Bhd as a remisier. He has over 22 years of experience in corporate consultancy, financial management, auditing and investigation. He is presently a general committee member of the Penang Chinese Chamber of Commerce and a member of the Malaysian Institute of Accountants. He has no family relationship with any other Director or Major Shareholder of the Group.

### **Khairilnuar Bin Abdul Rahman**

Independent Non-Executive Director

Aged 41, a Malaysian, was appointed as the Independent Non-Executive Director of UDS on 30 November 2003. He graduated from the Institute of Technology Mara in 1988. He started his career by managing a petrol kiosk from 1989 to 1993. He then joined a private limited company as an Executive Director since 1993 and is also the Independent Non-Executive and Audit Committee of Pensonic Holdings Berhad since February 2002 which is listed on the Second Board of BMSB. He is also a Director of Denko Industrial Corporation Berhad. He also sits on the board of a few private limited companies. He has no family relationship with any other Director or Major Shareholder of the Group.

### **Hj Ismail Bin Tunggak @ Hj Ahmad**

Independent Non-Executive Director

Aged 56, a Malaysian, was appointed as the Independent Non-Executive Director of UDS on 30 November 2003. He was the Head of POS Malaysia & Services Holdings Berhad (previously known as Jabatan Perkhidmatan POS/ POS Malaysia Bhd.), Bukit Pasir from 1976 to 1983 and Sungai Mati from 1983 to 1987. He was the Penghulu of Mukim Sri Menanti from 1987 to 1997 and of Mukim Tangkak from 1997 to 2000 before holding the post of Penghulu of Mukim Parit Bakar since

2000. He is also a committee member of several government agencies. He has no family relationship with any other Director or Major Shareholder of the Group.

### **Ng Ah Leet @ Ah Heet**

Non-Independent

Non-Executive Director

Aged 58, a Malaysian, is the Non-Independent Non-Executive Director of UDS and was appointed to the Board of Directors on 1 March 2006. He has approximately 30 years experience in marketing and administrative experience in motor vehicles business and is currently Executive Director of K.S Motor Sdn Bhd. He also has approximately 10 years experience in plastic industry and is now an Executive Director of Chin Hong Trading & Packaging Sdn Bhd. Mr. Ng Ah Leet is brother-in-law of the Executive Chairman, Dato' Koh Low @ Koh Kim Toon who is also a major shareholder of the UDS.

### **Conflict of Interest**

*None of the Directors has any conflict of interest with the Company.*

### **Conviction of Offence**

*None of the Directors has been convicted of any offence within the past 10 years other than traffic offences.*



# AUDIT COMMITTEE REPORT

The primary objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices and to ensure the adequacy and effectiveness of the Group's internal control measures.

## COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations who have served during the financial year ended 31 August 2006 are as follows:-

Member	Designation
Mr. Teh Eng Aun	Chairman (Independent Non-Executive Director)
Encik Khairilnuar Bin Abdul Rahman	Member (Independent Non-Executive Director)
Hj Ismail Bin Tunggak @ Hj Ahmad	Member (Independent Non-Executive Director)
Dato' Tan King Tai @ Tan Khoon Hai	Member (Non-Independent Executive Director)

## TERMS OF REFERENCE

### • Membership

The members of the Audit Committee shall be appointed by the Board of Directors from amongst the Directors and shall consist of no fewer than three (3) members, of whom a majority shall be independent directors of the Company. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or a member who fulfils the requirements as per Paragraph 15.10(1)(c)(ii) of the Listing requirements of Bursa Malaysia Securities Berhad. The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Director. No alternate director shall be appointed as a member of the Audit Committee. Any vacancy which affects the composition must be filled up within three (3) months. The member shall serve up to the forthcoming Annual General Meeting. An appointment terminates when a member ceases to be a Director.

### • Authority of the Audit Committee

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- Have the authority to investigate any matter within its terms of reference.
- Have the necessary resources required to perform its duties.
- Have full, free and unrestricted access to all information and documents pertaining to the Group.
- Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- To obtain legal or other independent professional advice and to secure the attendance of outsiders with the experience and expertise if it considers it necessary to do so.
- The attendance of other Directors and employees to any particular Audit Committee meeting of the Company shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting.

### • Meetings and Procedures

The Audit Committee shall meet at least 4 times in a year, and such additional meetings as the Chairman shall decide in order to fulfill its duties. The external auditors may request for a meeting if they consider this necessary.

## AUDIT COMMITTEE REPORT CONTINUED

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible for the coordination of administrative details including sending out notice of meetings, preparing and keeping minutes of meetings. The minutes of the Audit Committee's meetings are to be extended to the Board of Directors. Other Directors and employees shall attend any particular Audit Committee meeting only at the invitation of the Audit Committee.

During the financial year ended 31 August 2006, the Audit Committee held a total of four (4) meetings, the details of attendance of which are as follows:-

Member	No. of meetings attended
Mr. Teh Eng Aun	4 of 4
Encik Khairiluanar Bin Abdul Rahman	3 of 4
Hj Ismail Bin Tunggak @ Hj Ahmad	4 of 4
Dato' Tan King Tai @ Tan Khoon Hai	4 of 4

- **Quorum**

The quorum for an Audit Committee meeting shall consist of two (2) members and a majority of the members present shall be independent directors.

- **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee shall be as follows and will cover the Company and its subsidiaries:

- Review and assess the adequacy and effectiveness of the system of internal control and accounting control procedures by reviewing the external auditors' management letters and management response.
- Consider the appointment of external auditors, their terms of appointment and reference and any questions of resignation or dismissal.
- Review the adequacy of the scope, functions, resources of the internal audit functions and that it has the necessary authority to carry out its work.
- Review the quarterly results and year-end financial statements prior to approval by the Board of Directors, focusing particularly on -
  - Any changes in or implementation of major accounting policies and practices;
  - Significant adjustments and unusual events arising from the audit;
  - The going-concern assumption; and
  - Compliance with accounting standards, Listing Requirements of BMSB and other legal requirements.
- Review any related party transactions and conflict of interests situation that may arise within the Group including any transaction, procedure or course of conduct that raises question of management integrity.
- Review with the external auditors the nature and scope of their audit plan, prior to the commencement of audit work.
- Discuss the problems and reservations arising from the interim and final audits and any matter the external auditors may wish to discuss.

## AUDIT COMMITTEE REPORT CONTINUED

- h. Review the assistance and co-operation given by the officers of the Group to the external auditors.
- i. Carry out any other functions as may be determined by the Board from time to time.

### SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 August 2006, the activities of the Audit Committee included the following:-

- Review and discuss the memorandum of matters and issues with external auditors and management's response to all pertinent issues and findings raised and noted by the external auditors during their audit of the financial statements, together with recommendations in respect of their findings.
- Review the unaudited quarterly financial statements and announcements and the year-end audited financial statements of the Group with the management and the external auditors and ensured that the financial reporting and disclosure requirements of the relevant authorities had been complied with prior to approval by the Board of Directors.
- Review the procedures for identification of related party transactions of the Group.
- Review and discuss the Audit Committee Report and Statement on Internal Control for inclusion in the Group's Annual Report.
- Brief the Board of Directors on any major issues discussed at the Audit Committee meeting for further deliberation or decision as the case may be.
- Review the Group's key operational and business risks area and the policies in place to address and minimize such risks.

### INTERNAL AUDIT FUNCTION

The principal objective of the internal audit function is to undertake regular reviews of the systems of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and operating satisfactorily.

The principal responsibilities of the internal audit function are as follows:

- Review and appraise the adequacy, effectiveness and reliability of internal control systems, policies and procedures.
- Determine the extent of compliance with relevant laws, codes, standards, regulations, policies, plans and procedures.
- Review and verify the means used to safeguard the Group's assets.
- Highlight major weakness in control procedure and make recommendation for improvements to the Audit Committee.

The internal audit function of the Group adopts a risk based approach to monitor and implement an effective internal control system for the Group. The monitoring process forms the basis for continuous improvement to the risk management process of the Group in meeting its overall objectives.

### EMPLOYEES' SHARE OPTION SCHEME (ESOS)

- The allocation of the ESOS are disclosed in note 21 (i) to the Financial Statements herein.
- The breakdown of the options offered to Directors in respect of the current financial year is disclosed on page 25 in the Directors' Report of this annual report. None of the Directors had exercised any ESOS during the year.



# STATEMENT ON INTERNAL CONTROL

## INTRODUCTION

In compliance with Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") and the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by BMSB, the Board of Directors (the "Board") of UDS Capital Berhad is pleased to provide the following statement, on the nature and scope on internal control of the Group for the financial year ended 31 August 2006.

## BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility for the adequacy and integrity of the Group's system of internal control including the review of its effectiveness and establishment of an appropriate control environment and framework. The internal control system covers risk management, financial, operational, management information systems and compliance with relevant laws, rules, directives and guidelines.

The responsibilities of the Board in relation to the system extend to all subsidiaries of the Group. The Group's system of internal control is designed to ensure that the risks encountered by the Group's business in pursuit of its objectives are identified and managed at known and acceptable levels. Nevertheless, as with any internal control system, controls can only manage rather than eliminate the risk of failure and therefore can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

The Group continues to take measures of the adequacy and integrity of the system of internal control. The ongoing process of identification, evaluation and management of significant risk has been in place during the financial year under review. This process is reviewed on a regular basis by the Audit Committee and the Board of Directors. The key features of the internal control system are outlined below.

## SYSTEM OF INTERNAL CONTROL

The Group maintains a system of internal control that serves to safeguard its assets; identify and manage risk; ensure compliance with statutory and regulatory requirements; and to ensure operational results are closely monitored and substantial variances are promptly explained.

The salient features of the Group's system of internal control include, inter alia:-

- Clearly defined lines of authority in the organization structure and delegation of responsibilities, including authorization levels and exercise strict control on compliance therewith by all levels of employees.
- Key responsibilities are properly segregated in order that no employee is in total control of the whole transaction.
- The Group's management with the assistance of a centralized human resource function sets the policies for recruitment, training and appraisal of the employees within the Group.
- The Board evaluates risks involved and seeks appropriate experts' advice in considering business proposals and operational issues so as to make an effective decision in the best interest of the Group.
- Standard Operating Procedures are clearly documented and implemented, and are regularly reviewed for improvement to reflect changes in business structures and processes.
- Regular visits to various branches and subsidiaries and discusses key operational and business issues with the respective branch and subsidiary's employees.
- Monthly management meeting to review the operational and financial performance of the businesses in the Group and its subsidiaries, and to discuss key business, operational and management issues.
- Regular and comprehensive information provided to management covering financial performance and key performance indicators.
- Regular internal audit visits which provide independent assurance on the effectiveness of the Group's system of internal control and advising management on areas for further improvement. Weaknesses are properly communicated to management and prompt corrective actions have been taken.

## CONCLUSION

The Board is of the view that the system of internal control that had been implemented within the Group is sound and effective. The internal control procedures will be reviewed continuously in order to improve and strengthen the system to ensure ongoing adequacy, integrity and effectiveness so as to safeguard the Group's assets and shareholders' investments.

This statement is made in accordance with a resolution of the Board of Directors.

# STATEMENT OF CORPORATE GOVERNANCE

The Malaysian Code of Corporate Governance ("The Code") sets out the principles and best practices on structures that companies may adopt and implement to achieve the ultimate objectives of maximizing shareholders' value. The Board of Directors (the "Board") of UDS Capital Berhad is committed to ensure the adoption of good governance throughout the Group in order to protect and enhance the shareholders' value and the performance of the Group.

The key principles of corporate governance and best practices as set out in the Code which the Group has applied for the financial year ended 31 August 2006 are outlined in the following statement.

## DIRECTORS

### 1. The Board and Board Balance

The Board consists of nine (9) members comprising five (5) Executive Directors, and four (4) Non-Executive Directors. Three (3) of the nine (9) Directors are independent Directors. The Board has complied with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad that at least two or one-third of the Board, whichever is the higher is independent directors. The Board considers its current size adequate given the scope and nature of the Group's business operations during the financial year.

The Board of Directors leads and controls the Group and is responsible for the overall performance of the Group, focusing on strategies, performance, standards of conduct, financial and major business matter. The presence of independent non-executive directors bring an additional element of balance of the Board as they provide independent views, advice and judgment to take account of the interest of the Group and the shareholders, employees, customers, suppliers and the various communities in which the Group conducts its business.

### 2. Attendance at Meetings

The attendance record of the members at Board meetings during the financial year ended 31 August 2006 are as follows:-

Directors	Attendance
<b>Executive Directors</b>	
Dato' Koh Low @ Koh Kim Toon	4/5
Neo Chee Kiat	5/5
Dato' Tan King Tai @ Tan Khoon Hai	5/5
Neo Tiam Hock	5/5
Ng Sey Wee @ Ang Seh Wee	5/5
<b>Non-Executive Directors</b>	
Teh Eng Aun	5/5
Khairilnuar Bin Abdul Rahman	3/5
Hj Ismail Bin Tunggak @ Hj Ahmad	5/5
Ng Ah Leet @ Ah Heet	2/2

## STATEMENT OF CORPORATE GOVERNANCE CONTINUED

### 3. Supply of Information

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, the Board members have full and unrestricted access to all information pertaining to the Group's business and affairs. All Directors are provided with an agenda and a set of Board papers prior to each Board meetings. This allows the Directors to obtain further explanations and clarifications, where necessary, in order to be properly briefed before each meeting. The Directors have access to the advice and service of the Company Secretary and where necessary, obtain independent professional advice at the Company's expense in the furtherance of their duties. The Company Secretary's role is to ensure that the board policies and procedures and any statutory and regulatory requirements pertaining to a Directors' duties and responsibilities are complied with and all proceedings of the Board are recorded in writing for the effective functioning of the Board.

### 4. Appointment and Re-election

In accordance with the Company's Articles of Association, Directors who are appointed by the Board to fill a casual vacancy shall hold office only until the next Annual General Meeting ("AGM") and shall then be eligible for re-election. The Articles also provide that one-third or the number nearest to one-third of the Directors shall retire from office at every AGM and if eligible, may offer themselves for re-election. Each Director shall retire from office at least once in every three (3) years in compliance with the Code.

### 5. Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn. Bhd. During the year under review, the Directors have attended various training programmes and seminars relating to general management, marketing, latest regulatory developments, latest accounting standards, corporate social responsibility, branding and brand management to enhance their knowledge and expertise. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge in discharging their duties as Director in an effective manner.

### 6. Nomination Committee

In compliance with the Listing Requirements, a Nomination Committee was established by the Board on 25 October 2004. The Committee comprises two (2) Independent Non-Executive Directors. The members are:

Chairman : Hj Ismail Bin Tunggak @ Hj Ahmad  
(Independent & Non-Executive Director)

Member : Mr. Teh Eng Aun  
(Independent & Non-Executive Director)

The Committee's key functions are to nominate and recommend candidates to the Board, to consider candidates for directorship proposed by the Directors or shareholders and recommends membership of Board Committees. Its other responsibilities include the review of the structure, size and composition of the Board, including the ongoing effectiveness of the Board as a whole and the committees of the Board, and the contributions of each director towards the effective functioning of the Board.



## STATEMENT OF CORPORATE GOVERNANCE CONTINUED

### 7. Remuneration Committee

In compliance with the Listing Requirement, the Board established a Remuneration Committee on 25 October 2004, comprising two (2) Independent Non-Executive Directors and an Executive Director. The Committee's primary responsibility is to recommend to the Board, the remuneration of Directors (executive and non-executive) in all its forms, drawing from outside advice if necessary. Nevertheless, the determination of remuneration packages of Directors is a matter for the Board as whole and individuals are required to require abstaining from discussion of their own remuneration. The members are:

Chairman : Hj Ismail Bin Tunggak @ Hj Ahmad  
(Independent & Non-Executive Director)

Members : Mr. Teh Eng Aun  
(Independent & Non-Executive Director)

Dato' Tan King Tai @ Tan Khoon Hai  
(Executive Director)

### 8. ESOS Committee

ESOS Committee was established by the Board on 25 August 2004. The Committee comprises five (5) Senior Executive Staff and one (1) Executive Director. The members are:

Chairman : Mr. Lee Ing Tiong (Group Financial Controller)

Members : Dato' Tan King Tai @ Tan Khoon Hai (Executive Director)  
Ms. Melissa Soo Kim Wee (Finance Manager)  
Ms. Goh Miin Lih (Admin Manager)  
Mr. Kuo Lee Chuang (Factory Manager)  
Mr. Chua Boon Long (Executive Officer)

The ESOS Committee shall be vested with such powers and duties as are conferred upon it by the Board including the powers:

- a) to administer the ESOS and to grant Options in accordance with the Bye-Laws;
- b) to recommend to the Board to establish, amend, and revoke Bye-Laws, rules and regulations to facilitate the implementation of the Scheme;
- c) to construe and interpret the provisions hereof in the best interest of the Company; and
- d) to exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interest of the Company.

Subject to the foregoing, the ESOS Committee shall exercise its discretion in such manner as it deems fit.

### 9. Audit Committee

In compliance with the listing requirement, an audit committee was established by the Board on 1 September 2003. The composition of the committee and terms of reference as shown on pages 11 to 13 of this report.

## STATEMENT OF CORPORATE GOVERNANCE CONTINUED

### DIRECTORS' REMUNERATION

The determination of remuneration packages of the directors are matters for the Board as a whole. The remuneration of the Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively.

The Board reviews the remuneration of the directors annually whereby the respective Executive Directors are abstained from discussions and decisions on their own remuneration.

The details of the Directors' remuneration for the financial year ended 31 August 2006 are disclosed in Note 26 (b) of the Notes to the Financial Statement herein.

### RELATIONSHIP WITH SHAREHOLDERS

The Board and management recognize the importance of transparency and accountability to its shareholders and investors. The Group communicates with its shareholders regularly through timely release of financial results on a quarterly basis, announcements on the Group's business and corporate proposals which provide shareholders with an overview of the Group's performance and operations. All formal queries by Bursa Malaysia and other regulatory authorities are responded to on a timely basis. The Company's website at [www.udmalaysia.com](http://www.udmalaysia.com) also provides a comprehensive avenue for information dissemination, such as dedicated sections on corporate information, press releases and company news.

The main forum for dialogue with shareholders remains at the Annual General Meeting which encouraged the shareholders to raise questions pertaining to the operations and financials of the Group.

### ACCOUNTABILITY AND AUDIT

#### 1. Financial Reporting

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance and prospect through the quarterly and annual financial statements to shareholders. The Board and the Audit Committee have to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. The Board considers that in preparing the financial statements and announcements, the Group has used appropriate accounting policies and standards, consistently applied and supported by reasonable judgments and estimates.

#### 2. Internal Control

The Board affirms its overall responsibility for the Group's system of internal controls covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard the shareholders' investments and the Group's assets. The Board also recognizes that the system of internal control has inherent limitations and is aware that such a system can only provide reasonable and not absolute assurance against material misstatements, loss or fraud.

The internal control system of the Group is supported by an established organizational structure with well-defined authority and responsibility lines, and which comprises of appropriate financial, operational and compliance controls.

#### 3. Relationship with Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's Auditors both external and internal.

## STATEMENT OF CORPORATE GOVERNANCE CONTINUED

### 4. Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year in accordance with applicable approved accounting standards such that the financial statements should give a true and fair view the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year then ended.

In preparing the financial statements for the year ended 31 August 2006, the Directors have:-

- adopted the appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensure applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements; and
- ensure the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting records are kept and that the financial statements disclose with reasonable accuracy the financial position of the Group and the Company and are in compliance with the Companies Act, 1965 and the applicable approved financial reporting standards in Malaysia.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### 5. Compliance Statement

Throughout the financial year ended 31 August 2006, the Group has complied with all the Best Practices of Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance.

## OTHER DISCLOSURE REQUIREMENTS

### PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

#### a) Share Buybacks

There was no share buybacks exercise carried out by the Company for the financial year ended 31 August 2006.

#### b) Options, Warrants or Convertible Securities

No warrants or convertible securities were exercised by the Company during the financial year. The amount of share options granted over unissued shares to Directors and employees are disclosed in the Directors' Report.

#### c) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

The Company has not sponsored any ADR or GDR programme in the financial year ended 31 August 2006.

#### d) Imposition of Sanctions/Penalties

There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management arising from any significant breach of rules/guidelines by the relevant regulatory bodies during the financial year.

#### e) Non-Audit Fees

There was no non-audit fees paid to the external auditors during the financial year.



## STATEMENT OF CORPORATE GOVERNANCE CONTINUED

### f) Variation in Results

There was material variation between the audited results for the financial year and the unaudited results previously announced, detail of which as following:

	Amount (RM)
Unaudited consolidated profit/(loss) after tax	(1,249,468)
Less/(Add):	
Derecognised existing negative goodwill	(6,903,396)
Additional revaluation of inventories	(591,430)
Allowance for diminution for quoted/unquoted investment	(501,153)
Under provision of doubtful and bad debts	(132,070)
Elimination of inter-branch unrealised profit on inventories	(162,103)
Other audit adjustments	82,905
<b>Audited consolidated profit/(loss) after tax</b>	<b>(9,456,715)</b>

### g) Material Contracts

To the best of the Board's knowledge, there are no material contracts involving the Group with any of the major shareholders nor Directors in office as at 31 August 2006.

### h) Contracts Relating to Loans

There were no contracts relating to loans by the Company in respect of the above said item.

### i) Profit Guarantees

The Company did not issue any profit guarantees for the financial year 31 August 2006.

### j) Status of Utilization of Rights Issue Proceeds

During the financial year, the Company had raised RM16,867,400 through rights issue of 21,084,250 new ordinary shares at RM0.80 per rights share. The utilization of the proceeds is as per below:

Detail	Amount (RM)
Repayment of bank borrowing	12,830,201
Working capital	3,431,927
Corporate expenses	334,404
Underwriting fee	270,868
<b>Total</b>	<b>16,867,400</b>

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# DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 31 August 2006.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are as set out in note 5 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company except that two subsidiary companies ventured into veneering of wood, designing and building of bungalow/resort lot during the financial year.

## RESULTS

	Group RM	Company RM
Net loss for the year from continuing operations	9,456,715	6,759,448
Attributable to:		
Equity holders of the Company	9,450,907	6,759,448
Minority interest	5,808	-
	9,456,715	6,759,448

## DIVIDEND

The dividend paid by the Company since the end of the previous financial year was as follows:-

	RM
In respect of the year ended 31 August 2005, as shown in the directors' report of that year,	
- first and final dividend of 4% less 28% tax declared on 16 February 2006 and paid on 13 March 2006	1,821,679

The directors do not recommend the payment of a final dividend in respect of year ended 31 August 2006.

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM42,168,500 to RM63,252,750 by way of:-

- i) rights issue of 21,084,250 new ordinary shares of RM0.50 each together with 21,084,250 free detachable warrants at an issue price of RM0.80 per rights share on the basis of one (1) rights share with one (1) free warrant for every four (4) existing ordinary shares of RM0.50 each held for cash, partly for repayment of bank borrowings and for additional working capital purposes; and

## DIRECTORS' REPORT CONTINUED

### ISSUE OF SHARES AND DEBENTURES (CONT'D)

- ii) bonus issue of 21,084,250 new ordinary shares of RM0.50 each on the basis of one (1) bonus share for every one (1) rights share subscribed. The bonus issue was effected by way of capitalising RM10,542,125 from the Company's revaluation reserve account.

The share premium arising from the rights issue after deducting the transaction costs of RM635,106, amounted to RM5,690,169, has been credited to the share premium account.

The new ordinary shares issued during the financial year rank pari passu in all respects with the then existing ordinary shares of the Company.

The Company has not issued any debenture during the financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in statements of changes in equity and notes to the financial statements.

### EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Group's ESOS which is in force for a period of 5 years, was approved by the Securities Commission on 01 September 2004 and by the shareholders of the Company at the Extraordinary General Meeting held on 25 August 2004. The ESOS became effective on 13 September 2004. Pursuant to the scheme, options to subscribe for ordinary shares of RM0.50 each are granted to eligible employees of the Group, including executive and non-executive directors of any company in the Group.

The salient features of the ESOS are as disclosed in note 21 (i) to the financial statements.

The summary of the movements of ESOS are as follows:-

Date granted	Expiry date	Exercise price per share* RM	Number of unissued ordinary shares under ESOS		
			01 September 2005	Adjustment for rights and bonus issue	31 August 2005
13.09.2004	12.09.2009	0.58	3,979,000	1,002,971	4,981,971

\* adjusted for rights and bonus issue

During the financial year, the Company's 42,168,500 new ordinary shares of RM0.50 was increased by way of rights and bonus issue. As a result, the exercise price and the number of unissued ordinary shares under ESOS were adjusted to incorporate the bonus element of the rights and bonus issue.

### WARRANTS

During the financial year, the Company had issued 21,084,250 warrants which were listed on Bursa Malaysia Securities Berhad on 02 December 2005. All of the warrants remained unexercised as at the end of the current financial year.



## DIRECTORS' REPORT CONTINUED

### WARRANTS (CONT'D)

The warrants were issued in conjunction with the rights issue on the basis of one (1) warrant attached to one (1) rights share subscribed.

The warrants are constituted by a Deed Poll dated 8 September 2005 executed by the Company. The main features of the warrants are as described in note 21 (ii) to the financial statements.

### DIRECTORS

The directors in office since the date of the last report are:-

Dato' Koh Low @ Koh Kim Toon  
 Neo Chee Kiat  
 Dato' Tan King Tai @ Tan Khoon Hai  
 Neo Tiam Hock  
 Ng Sey Wee @ Ang Seh Wee  
 Teh Eng Aun  
 Khairilnuar Bin Abdul Rahman  
 Hj Ismail Bin Tunggak @ Hj Ahmad  
 Ng Ah Leet @ Ah Heet (Appointed on 1 March 2006)

In accordance with the Company's articles of association, Messrs. Neo Tiam Hock, Ng Sey Wee @ Ang Seh Wee, Teh Eng Aun and Ng Ah Leet @ Ah Heet retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' SHAREHOLDINGS

The directors holding office at the year end and their interests in shares, options over shares and warrants in the Company during the financial year were as follows:

	01 September 2005 or date of appointment	Number of ordinary shares of RM0.50 each		31 August 2006
		Bought	Sold	
Registered in the name of directors:				
Dato' Koh Low @ Koh Kim Toon	17,214,308	9,867,174	(4,830,000)	22,251,482
Neo Chee Kiat	3,905,474	1,952,736	-	5,858,210
Dato' Tan King Tai @ Tan Khoon Hai	2,663,814	3,621,906	(4,421,000)	1,864,720
Neo Tiam Hock	4,224,598	2,112,298	-	6,336,896
Ng Sey Wee @ Ang Seh Wee	2,176,340	1,088,170	(804,000)	2,460,510
Khairilnuar Bin Abdul Rahman	60,000	-	-	60,000
Ng Ah Leet @ Ah Heet	2,266,494	-	-	2,266,494

## DIRECTORS' REPORT CONTINUED

### DIRECTORS' SHAREHOLDINGS (CONT'D)

	Exercise price *	Number of options over ordinary shares of RM0.50 each		
		01 September 2005	Adjustment for rights and bonus issue	31 August 2006
	RM			
Dato' Koh Low @ Koh Kim Toon	0.58	180,000	45,372	225,372
Neo Chee Kiat	0.58	180,000	45,372	225,372
Dato' Tan King Tai @ Tan Khoon Hai	0.58	180,000	45,372	225,372
Neo Tiam Hock	0.58	180,000	45,372	225,372
Ng Sey Wee @ Ang Seh Wee	0.58	180,000	45,372	225,372
Teh Eng Aun	0.58	108,000	27,223	135,223
Khairilnuar Bin Abdul Rahman	0.58	108,000	27,223	135,223
Hj Ismail Bin Tunggak @ Hj Ahmad	0.58	108,000	27,223	135,223

### Number of warrants

		01 September 2005		31 August 2006
		Bought	Sold	
Dato' Koh Low @ Koh Kim Toon	-	4,933,587	(4,776,800)	156,787
Neo Chee Kiat	-	976,368	(615,000)	361,368
Dato' Tan King Tai @ Tan Khoon Hai	-	765,953	(765,900)	53
Neo Tiam Hock	-	1,056,149	(500,000)	556,149
Ng Sey Wee @ Ang Seh Wee	-	544,085	(544,000)	85

\* adjusted for rights and bonus issue

The options over shares were granted pursuant to UDS Group Employees' Share Option Scheme which are subject to the By-Laws governing their issue and expire on 12 September 2009.

None of the other directors holding office at the year end had any interest in share capital of the Company during the financial year.

By virtue of his interest in the shares of the Company, Dato' Koh Low @ Koh Kim Toon is also deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than remuneration shown in note 26 (b) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in note 34 to the financial statements.

Neither during nor at the end of the financial year, was the Company or any of its subsidiary companies a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options granted to eligible directors of the Company pursuant to the ESOS.

## DIRECTORS' REPORT CONTINUED

### OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance for doubtful debts had been made; and
  - (ii) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or allowed for as doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent,
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading,
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
  - (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person, or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) No contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.
- (e) In the opinion of the directors:
- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

## DIRECTORS' REPORT CONTINUED

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- a) On 04 July 2006, a subsidiary company has entered into a Sale of Shares Agreement to dispose of its entire equity stake in an associated company - Dimensi Alam Sdn. Bhd. (DASB), comprising 2,164,500 ordinary shares of RM1 each, representing 48.1% of the issued and paid-up share capital of DASB to Teratai Agriculture Sdn. Bhd. for a total sale consideration of RM458,655.
- b) On 25 August 2006, the Company has entered into a Sale and Purchase Agreement with Tycoon Success Sdn. Bhd. to acquire 951,150 ordinary shares of RM1 each, representing 51% equity interest in Poh Keong Industries Sdn. Bhd. at a total purchase consideration of RM2.712 million to be satisfied by cash.

The acquisition of Poh Keong Industries Sdn. Bhd. has completed on 9 October 2006 upon approval by relevant authority and share transfer.

### AUDITORS

John Lim & Associates have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 December 2006

**Dato' Koh Low @ Koh Kim Toon**  
Director

**Dato' Tan King Tai @ Tan Khoon Hai**  
Director

Muar

Date: 27 December 2006



## STATEMENT BY DIRECTORS

We, the undersigned, being two of the directors of UDS Capital Berhad do hereby state that, in the opinion of the directors, the accompanying balance sheets, statements of income, of changes in equity and of cash flow together with the notes attached thereto are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 August 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 December 2006

**Dato' Koh Low @ Koh Kim Toon**  
Director

**Dato' Tan King Tai @ Tan Khoon Hai**  
Director

Date: 27 December 2006

## STATUTORY DECLARATION

I, Dato' Tan King Tai @ Tan Khoon Hai, the director primarily responsible for the financial management of UDS Capital Berhad., do solemnly and sincerely declare that the accompanying balance sheets, statements of income, of changes in equity and of cash flow together with the notes thereto are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared                    )  
by the abovenamed at Muar in the                    )  
State of Johore on 27 December 2006                )

**Dato' Tan King Tai @ Tan Khoon Hai**

Before me,

Hj. Salleh Bin Jamal  
(No.J120)  
Commissioner for Oaths

# REPORT OF THE AUDITORS

to the members of UDS Capital Berhad

We have audited the accompanying balance sheets, statements of income, of changes in equity and of cash flow, together with the notes thereto. These financial statements are the responsibility of the Company's directors.

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

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
  - (ii) the state of affairs of the Group and of the Company at 31 August 2006 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' report of Sin Wee Seng Industries Sdn. Bhd., a subsidiary company of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

## **JOHN LIM & ASSOCIATES**

A.F. No. 0393  
Chartered Accountants

Date: 27 December 2006

67, 2nd Floor, Room A  
Jalan Ali, 84000 Muar  
Johor Darul Takzim

## **LIM JOHN @ LIM WAN SHOW**

1148/2/08(J)  
Chartered Accountant

Phone: 06-9515317 / 9523513  
E-mail: johnlws@tm.net.my

# CONSOLIDATED BALANCE SHEET

as at 31 August 2006

	Note	2006 RM	2005 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	40,637,917	36,120,817
Investment properties	6	3,955,000	2,395,000
Interest in associated company	7	-	1,930,524
Other investments	8	2,028,605	1,248,448
Deferred expenditure		-	208,569
		46,621,522	41,903,358
<b>Current assets</b>			
Inventories	10	36,632,022	42,024,282
Trade receivables	11	23,774,703	19,349,456
Other receivables	12	10,340,550	8,726,630
Amount due by associated company	13	-	2,091,874
Tax recoverable		2,401,910	1,458,497
Fixed deposits with licensed banks	31(b)	5,202,506	4,863,601
Cash and bank balances		5,765,643	5,283,233
		84,117,334	83,797,573
<b>Total assets</b>		130,738,856	125,700,931
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	14	11,730,985	8,729,397
Other payables	15	3,033,226	3,469,578
Dividend payable		38,185	5,904
Amounts due to directors	16	97,671	401,579
Tax payable		22,165	15,722
Borrowings	17	41,756,190	46,261,652
		56,678,422	58,883,832
<b>Non-current and deferred liabilities</b>			
Term loans	17	1,300,583	-
Hire purchase payables	18	1,121,234	248,466
Deferred taxation	19	1,003,408	1,032,533
Negative goodwill on consolidation	20	-	6,903,396
		3,425,225	8,184,395
<b>Total liabilities</b>		60,103,647	67,068,227
<b>NET ASSETS</b>		70,635,209	58,632,704
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
SHARE CAPITAL	21	63,252,750	42,168,500
RESERVES	22	7,347,427	16,423,413
		70,600,177	58,591,913
<b>Minority interest</b>		35,032	40,791
<b>Total equity</b>		70,635,209	58,632,704

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

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 August 2006

	Note	2006 RM	2005 RM
<b>Continuing operations</b>			
Revenue	23	116,108,581	8,327,914
Cost of sales		(108,588,468)	(78,560,381)
Gross profit		7,520,113	19,767,533
Other income	24	1,916,690	1,872,528
Administrative expenses		(11,284,630)	(10,654,722)
Selling and distribution expenses		(3,492,160)	(3,103,526)
Other expenses		(501,153)	-
Operating(loss)/profit		(5,841,140)	7,881,813
Finance cost	25	(1,888,580)	(1,659,246)
Share of loss of associated company			
- continuing operations		-	(145,859)
- discontinued operations		(1,930,524)	-
Gain on disposal of associated company		458,655	-
(Loss)/profit before taxation	26	(9,201,589)	6,076,708
Income tax expenses	27	(255,126)	(1,511,255)
Net (loss)/profit for the year from continuing operations		(9,456,715)	4,565,453
<b>Attributable to:</b>			
Equity holders of the Company		(9,450,907)	4,565,612
Minority interest		(5,808)	(159)
		(9,456,715)	4,565,453
<b>Earnings per share attributable to equity holders of the Company (sen)</b>			
- basic (2005 - restated)	28	(7.8)	4.4
- diluted (2005 - restated)		NA	4.3
NET DIVIDENDS PER SHARE (sen)	29	1.4	1.8

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2006

Note	Attributable to equity holders of the Company					
	Share Capital RM	Non-Distributable Share Premium RM	Distributable Retained Profit RM	Total RM	Minority interest RM	Total equity RM
As at 01 September 2004	40,000,000	5,852,957	6,560,500	52,413,457	40,950	52,454,407
Net profit for the year, representing total recognised income and expense for the year	-	-	4,565,612	4,565,612	(159)	4,565,453
Issuance of shares pursuant to exercise of ESOS	2,168,500	997,510	-	3,166,010	-	3,166,010
Share issue expenses incurred	-	(35,100)	-	(35,100)	-	(35,100)
Net loss not recognised in the income statement	-	(35,100)	-	(35,100)	-	(35,100)
Dividend 29	-	-	(1,518,066)	(1,518,066)	-	(1,518,066)
As at 31 August 2005	42,168,500	6,815,367	9,608,046	58,591,913	40,791	58,632,704
As at 01 September 2005	42,168,500	6,815,367	9,608,046	58,591,913	40,791	58,632,704
Effects of adopting - FRS 3 - FRS 140	- -	- -	6,903,396 156,160	6,903,396 156,160	- -	6,903,396 156,160
	42,168,500	6,815,367	16,667,602	65,651,469	40,791	65,692,260
Net loss for the year, representing total recognised income and expense for the year	-	-	(9,450,907)	(9,450,907)	(5,808)	(9,456,715)
Issuance of shares pursuant to - rights issue - bonus issue	10,542,125 10,542,125	6,325,275 -	- (10,542,125)	16,867,400 -	- -	16,867,400 -
Transfer listing expenses Share issue expenses incurred	- -	(11,000) (635,106)	- -	(11,000) (635,106)	- -	(11,000) (635,106)
Net loss not recognised in the income statement	-	(646,106)	-	(646,106)	-	(646,106)
Minority interest share of cost	-	-	-	-	49	49
Dividend 29	-	-	(1,821,679)	(1,821,679)	-	(1,821,679)
	63,252,750	12,494,536	(5,147,109)	70,600,177	35,032	70,635,209

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

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 August 2006

	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(9,201,589)	6,076,708
Adjustments for:		
Allowance for doubtful debts	153,606	364,946
Bad debts written off	43,529	315,555
Deposit forfeited	3,700	7,900
Depreciation	2,715,110	2,573,944
Expenditure on increase of authorised capital	-	10,000
Impairment loss on other investment	501,153	-
Interest expenses	1,888,580	1,659,246
Loss on disposal of property, plant and equipment	7,899	122
Preliminary expenses written off	2,500	-
Pre-operating expenses written off	48,618	-
Property, plant and equipment written off	27,884	56,273
Share of loss of associated company	1,930,524	145,859
Unrealised foreign exchange loss	1,297	1,590
Allowance for doubtful debts no longer required	(35,663)	-
Creditation of negative goodwill on consolidation	-	(862,924)
Dividend income	(158,919)	(11,000)
Fair value adjustment on investment properties	(40,000)	-
Gain on disposal of associated company	(458,655)	-
Gain on disposal of property, plant and equipment	(235,500)	(239,310)
Gain on disposal of quoted investments	(64,868)	-
Interest income	(191,690)	(209,604)
Unrealised foreign exchange gain	(10,745)	(3,621)
Operating (loss)/profit before working capital changes	(3,073,229)	9,885,684
Decrease/(increase) in inventories	5,392,260	(8,088,413)
(Increase)/decrease in receivables	(6,201,435)	1,114,912
Increase in payables	2,579,942	1,870,111
Decrease in directors' current accounts	(303,908)	(42,364)
Decrease in associated company's account	2,091,874	1,249,100
Cash generated from operations	485,504	5,989,030
Deferred expenditure incurred	-	(187,017)
Expenditure on increase of authorised capital paid	-	(10,000)
Income tax paid	(1,282,287)	(2,359,936)
Interest paid	(1,888,580)	(1,659,246)
Preliminary expenses written off	(2,500)	-
Pre-operating expenses written off	(48,618)	-
Real Property Gains Tax paid	-	(41,786)
Net cash (used in)/from operating activities	(2,736,481)	1,731,045

## CONSOLIDATED CASH FLOW STATEMENT CONTINUED

for the year ended 31 August 2006

	Note	2006 RM	2005 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Incorporation of subsidiary company	30(c)	-	-
Additional investment in associated company		-	(1,924,000)
Purchase of quoted investments		(1,585,981)	(100,000)
Purchase of property, plant and equipment	31(a)	(6,611,965)	(5,493,867)
Dividend received		150,778	7,920
Proceeds from disposal of associated company		458,655	-
Proceeds from disposal of property, plant and equipment		350,500	1,967,475
Proceeds from sale of quoted investment		369,539	-
Net cash used in investing activities		(6,868,474)	(5,542,472)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdown of term loan		2,080,000	-
Share issue expenses incurred		(437,537)	(35,100)
Short term borrowings		(3,071,361)	6,640,358
Repayment of term loans		(261,114)	-
Repayment of hire purchase payables		(1,061,493)	(1,204,211)
Proceeds from exercise of ESOS		-	3,166,010
Withdrawal of fixed deposits		30,399	881,316
Placement of fixed deposits		(628,944)	(1,605,234)
Interest received		183,528	110,923
Dividend paid		(1,821,679)	(1,518,066)
Proceeds from rights issue		16,867,400	-
Proceeds from minority interest		49	-
Net cash from financing activities		11,879,248	6,435,996
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,274,293	2,624,569
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,208,448	583,879
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	31(b)	5,482,741	3,208,448

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

# BALANCE SHEET

as at 31 August 2006

	Note	2006 RM	2005 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	8,187	9,267
Investment in subsidiary companies	5	42,159,539	49,191,992
Other investment	8	210,000	420,000
Deferred expenditure		-	208,569
Amounts due by subsidiary companies	9	23,644,052	13,286,868
		66,021,778	63,116,696
<b>Current assets</b>			
Other receivables	12	3,713,000	1,000
Tax recoverable		7,705	6,205
Cash and bank balances		259,202	187,466
		3,979,907	194,671
<b>Total assets</b>		70,001,685	63,311,367
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	15	112,168	39,536
Amounts due to directors	16	-	80,000
Dividend payable		38,185	5,904
<b>Total liabilities</b>		150,353	125,440
<b>NET ASSETS</b>		69,851,332	63,185,927
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
SHARE CAPITAL	21	63,252,750	42,168,500
RESERVES	22	6,598,582	21,017,427
<b>Total equity</b>		69,851,332	63,185,927

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

# INCOME STATEMENT

for the year ended 31 August 2006

	Note	2006 RM	2005 RM
<b>Continuing operations</b>			
Revenue	23	28,207	3,148,386
Other income	24	-	216
Administrative expenses		(269,964)	(218,034)
Other expenses		(6,517,691)	-
(Loss)/profit before taxaiton	26	(6,759,448)	2,930,568
Income tax expense	27	-	(874,495)
Net (loss)/profit for the year from continuing operations		(6,759,448)	2,056,073

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



# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2006

	Note	Non-distributable			(Accumulated Loss)/	Total Equity RM
		Share Capital RM	Share Premium RM	Revaluation Reserve RM	Retained Profit RM	
As at 01 September 2004		40,000,000	5,852,957	11,516,887	2,147,166	59,517,010
Net profit for the year, representing total recognised income and expense for the year		-	-	-	2,056,073	2,056,073
Issuance of shares pursuant to exercise of ESOS		2,168,500	997,510	-	-	3,166,010
Share issue expenses incurred		-	(35,100)	-	-	(35,100)
Net loss not recognised in the income statement		-	(35,100)	-	-	(35,100)
Dividend	29	-	-	-	(1,518,066)	(1,518,066)
As at 31 August 2005		42,168,500	6,815,367	11,516,887	2,685,173	63,185,927
As at 01 September 2005		42,168,500	6,815,367	11,516,887	2,685,173	63,185,927
Net loss for the year, representing total recognised income and expense for the year		-	-	-	(6,759,448)	(6,759,448)
Issuance of shares pursuant to - rights issue		10,542,125	6,325,275	-	-	16,867,400
- bonus issue		10,542,125	-	(10,542,125)	-	-
Impairment loss		-	-	(974,762)	-	(974,762)
Transfer listing expenses		-	(11,000)	-	-	(11,000)
Share issue expenses incurred		-	(635,106)	-	-	(635,106)
Net loss not recognised in the income statement		-	(646,106)	(974,762)	-	(1,620,868)
Dividend	29	-	-	-	(1,821,679)	(1,821,679)
As at 31 August 2006		63,252,750	12,494,536	-	(5,895,954)	69,851,332

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

# CASH FLOW STATEMENT

for the year ended 31 August 2006

	Note	2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before taxation		(6,759,448)	2,930,568
Adjustments for:			
Depreciation		1,080	1,080
Dividend income		-	(3,140,000)
Expenditure on increase of authorised capital		-	10,000
Impairment loss on other investment		210,000	-
Impairment loss on investment in subsidiary companies		6,307,691	-
Interest income		(28,207)	(8,386)
Operating loss before working capital changes		(268,884)	(206,738)
Increase in receivables		(3,712,000)	-
Increase in payables		72,632	11,672
Decrease in directors' current accounts		(80,000)	-
Cash used in operations		(3,988,252)	(195,066)
Deferred expenditure incurred		-	(187,017)
Expenditure on increase of authorised capital paid		-	(10,000)
Income tax paid		(1,500)	(6,872)
Dividend received from subsidiary companies		-	2,260,800
Interest received		28,207	8,386
Net cash (used in)/from operating activities		(3,961,545)	1,870,231
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additional investment in subsidiary company	30	(250,000)	-
Increase in amounts due by subsidiary companies		(10,357,184)	(3,326,446)
Net cash used in investing activities		(10,607,184)	(3,326,446)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share issue expenses incurred		(437,537)	(35,100)
Proceeds from exercise of ESOS		-	3,166,010
Proceeds from rights issue		16,867,400	-
Dividend paid		(1,821,679)	(1,518,066)
Net cash from financing activities		14,608,184	1,612,844
NET INCREASE IN CASH AND CASH EQUIVALENTS		39,455	156,629
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		181,562	24,933
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	31(b)	221,017	181,562

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 August 2006

## 1. GENERAL

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are as set out in note 5 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company except that, two subsidiary companies ventured into veneering of wood, designing and building of bungalow/resort lot during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed in the Second Board of the Bursa Malaysia Securities Berhad.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are evaluated by the management on an on-going basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

### (i) Depreciation of property, plant and equipment

The estimates of the residual values, useful lives and related depreciation charges for its property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group and the Company anticipate that the residual values of its property, plant and equipment to be insignificant. As a result, residual values are not being taken into consideration for the computation of depreciable amount.

The depreciation charge will increase when useful lives are less than previously estimated lives.

### (ii) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year except that the Group and the Company have taken the option of early adoption of the new and revised Financial Reporting Standards ("FRS") effective for financial period beginning 01 September 2005 as described fully in note 3.1 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (a) Accounting basis

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise stated in the individual policy statements set out below.

The financial statements are presented in Malaysian Ringgit (RM).

#### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies as at the balance sheet date. Subsidiary companies are those enterprises in which the Company has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiary companies. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

Minority interests represent the portion of the profit or loss and net assets of a subsidiary companies attributable to equity interests that are not owned by the Group. It is measured at the minorities' share of the fair value of identifiable assets and liabilities of the subsidiary companies at the acquisition date and the minorities' share of changes in the equity of the subsidiary companies since then. Minority interests are presented in the consolidated balance sheet as part of the equity and are segregated from the shareholders' equity of the parent, and are separately disclosed in the consolidated income statements.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated on consolidation unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with the carrying amount of goodwill.

#### (c) Associated company

An associated company is a company, not being a subsidiary company, in which the Group has a long-term equity interest of between 20% to 50%, and in which the Group exercises significant influence over the financial and operating policies of the associated company. Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the consolidated income statement the Group's share of the results of associated company for the period. The Group's investment in associated company is carried in the balance sheet at cost adjusted for post-acquisition changes in the Group's share of the net assets of the associated company. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (c) Associated company (Cont'd)

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated company to ensure consistency of accounting policies with those of the Group.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to income statement.

#### (d) Goodwill

Goodwill represents the excess of cost of an acquisition over the sum of the fair value of the identifiable net assets of the subsidiary companies at the date of acquisition. It includes goodwill on consolidation and purchased goodwill.

Goodwill acquired in a business combination is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Gains and losses on the disposal of an equity include the carrying amount of goodwill relating to the entity sold.

Any excess of the Group's interest in the fair value of the identifiable net assets over the cost of an acquisition is recognised immediately in income statements.

#### (e) Investments in subsidiary and associated companies

Investments in subsidiary companies, which are eliminated on consolidation, are stated at valuation in the Company's financial statements, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

Investment in associated company is shown at cost less impairment loss.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is charged or credited to income statement.

#### (f) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation or amortisation and accumulated impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (f) Property, plant and equipment (Cont'd)

Freehold land of the Group have not been revalued since they were first revalued in 1997. The directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1997 valuation less accumulated depreciation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is taken into income statements and the unutilised portion of the revaluation surplus on that item is transferred to retained earnings.

#### (g) Depreciation

Freehold land is not amortised as it is deemed to have an infinite life.

No depreciation is provided on building-in-progress until it is ready for its intended use.

Depreciation for all the other property, plant and equipment is calculated so as to write off the cost of the assets or their revalued amounts to their residual value on a straight line basis over the estimated useful lives of the assets concerned.

The annual rates in use are as follows:-

Air-conditioners	10%
Computers	20%
Electrical installation	10% - 20%
Freehold buildings	2%
Freehold and long leasehold buildings	2%
Furniture and fittings	5% - 10%
Long leasehold land	over lease period of 86 to 97 years
Motor vehicles	20%
Office equipment	10%
Plant, machinery and equipment	10% - 20%
Renovation	20%
Signboard	10%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated property, plant and equipment are retained in the financial statements until such time when they are no longer in use.

#### (h) Investment properties

Investment properties are properties which are held either to earn long-term rental yields or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by an independent professional valuer. Investment properties are not subject to depreciation.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (h) Investment properties (Cont'd)

Gains or losses arising from changes in the fair values of investment properties are taken to the income statements.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are taken to the income statements.

#### (i) Inventories

Inventories are valued at the lower of cost (determined principally on first-in first-out method) and net realisable value.

The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress represents raw materials, direct labour and the appropriate production overheads (based on normal operating capacity).

Net realisable value is the estimate of the selling price in the ordinary course of business, less cost of completion and selling expenses. In arriving at net realisable value, due allowances are made for all obsolete and slow-moving items.

#### (j) Trade receivables

Trade receivables are carried at anticipated realisable value.

Known bad debts are written off when identified while allowance for doubtful debts is made for debts considered to be doubtful of collection based on a review of all outstanding amounts at the balance sheet date.

#### (k) Trade payables

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

#### (l) Hire purchase

Assets held under hire purchase agreements are capitalised in the balance sheet and are depreciated in accordance with the policy set out in (g) above. Outstanding obligations due under the hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. The finance expenses are charged to the income statements to give a constant periodic rate of interest in the remaining hire purchase liabilities.

#### (m) Income tax

Tax expense is the aggregate amount of current and deferred tax included in the determination of net profit or loss. The tax rates enacted or substantively enacted by the balance sheet date are used to determine the current tax.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (m) Income tax (Cont'd)

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

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### (n) Provisions

Provisions are recognised when the Group and the Company have present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

#### (o) Dividends

Dividend payments are accounted for in shareholders' equity as an appropriation of retained profit in the year in which the shareholders' rights to receive payment are established.

#### (p) Interest-bearing borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction cost incurred. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period.

All other borrowing costs are recognised as an expense in the income statements in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (q) Currency translations

##### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional and presentation currency.

##### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for currency translation differences on net investment in foreign entities and borrowings and other currency instruments qualifying as net investment hedges for foreign operations in the consolidated financial statements.

Currency translation differences on non-monetary items, such as equity investments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Currency translation differences on non-monetary items, such as equity investments classified as available-for-sale financial assets, are included in the fair value reserve within equity.

The exchange rates ruling at the balance sheet date used are as follows:

	2006 RM	2005 RM
1 Euro Dollar	-	4.612
1 Pound Sterling	-	6.767
1 United States Dollar	3.680	3.769
1 Singapore Dollar	2.339	2.244
1 New Taiwan Dollar	0.112	0.115
1 China Renminbi	-	0.466
1 Won	0.004	-

#### (r) Employee benefits

##### (i) Short term employee benefits

Wages, salaries, social security contribution and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees.

No accrual of unutilised annual leave is provided in the financial statements as it is the Group's policy to disallow it to be carried forward.

##### (ii) Post-employment benefits

The Group contributes to the Employees Provident Fund, the national defined contribution plan. Such contributions are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (r) Employee benefits (Cont'd)

##### (iii) Share-based compensation

The UDS Capital Berhad Employees' Share Option Scheme ("ESOS"), and equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an expense in the income statement with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

##### (iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

#### (s) Revenue recognition

- (i) Revenue from sale of goods or services are recognised in the income statements upon delivery of goods or performance of services rendered and customers' acceptance and where applicable, net of returns and trade discounts.
- (ii) Dividend income from investment in subsidiary companies is recognised when the Company's right to receive payment is established.
- (iii) Rental income is recognised on accrual basis and on a straight-line basis over the term of the lease.
- (iv) Interest income is recognised on accrual basis, based on the effective interest method.

#### (t) Financial instruments

##### Recognised and unrecognised

The accounting policies for financial instruments recognised on the balance sheets which include cash and bank balances, trade and other receivables and payables, borrowings and investments are disclosed in their respective accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (t) Financial instruments (Cont'd)

##### Recognised and unrecognised (Cont'd)

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. These instruments are offset when the Group and the Company have legally enforceable rights to offset and intent to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Unrecognised financial instruments of the Group consist of forward exchange contracts which are used to hedge the exposure to currency risk. These derivative financial instruments are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any gain or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions. The Group does not have any unrecognised financial instruments other than those that may arise as disclosed in note 40(a) to the financial statements.

#### (u) Impairment of assets

At each balance sheet date, the Group and the Company review the carrying amounts of its assets, other than those to which FRS 136 - Impairment of Assets does not apply, to determine whether there is any indication of impairment. If such indication of impairment exists, the recoverable amount of the assets is determined and the carrying amount of the assets is written down immediately to its recoverable amount. Impairment loss is charged to income statements. Any reversal of an impairment loss will be immediately recognised as income.

For impairment on a revalued asset, the impairment loss is charged against the revaluation reserve to the extent of the surplus credited from the previous revaluation of the same asset.

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

The recoverable amount of each asset or cash-generating unit is estimated based on the greater of its fair value less cost to sell and its value in use, which is measured by reference to discounted future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### (v) Deferred expenditure

Deferred expenditure, which relates to the expenditure incurred in respect of transfer listing to Main Board of the Bursa Malaysia Securities Berhad and the rights issue and bonus issue, is written off against share premium.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (w) Segment information

Segment information is presented in respect of the Group's business segment. An analysis by geographical segment has not been presented as the Group operates wholly in Malaysia.

Segment results, assets and liabilities include items directly attributable to the segments, as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance cost and corporate expenses.

Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. Inter-segment sales are charged at cost plus a percentage profit mark-up. These transfers are eliminated on consolidation.

The main business segments and respective business activity of each segment of the Group are:-

<b>Business segment</b>	<b>Business activity</b>
Furniture, polyethylene foam, packing staples and nails manufacturing	Manufacturing of furniture products, polyethylene foam, packing staples and nails
Furniture, polyethylene, packing staples and nails trading, marketing and distribution	Purchasing, storage, distribution and marketing of furniture products, polyethylene foam, packing staples and nails
Investment holding	Investment holding

#### (x) Equity instruments

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

#### (xi) Other non-current investments

Non-current investments other than investments in subsidiary companies, associated company, and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in income statements.

#### (xii) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit and loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to income statements.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### (xiii) Cash flow statements

The cash flow statements are prepared by using the indirect method.

Cash and cash equivalents for the purpose of the cash flow statements include cash in hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value, against which the bank overdraft balances, if any, are deducted.

#### 3.1 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM EARLY ADOPTION OF NEW AND REVISED FRSS

The Group and the Company have taken the option of early adoption of the following FRSS effective for financial period beginning 01 September 2005:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has not early adopted the deferred FRS 139 - Financial Instruments : Recognition and Measurement and the following new and revised FRSS that are mandatory for financial periods beginning 01 January 2006 / 01 January 2007:-

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 6	Exploration for and Evaluation of Mineral Resources (not relevant to the Group's operations)

The early adoption of FRS 2, 5, 101, 102, 108, 110, 116, 117, 121, 127, 128, 131, 132, and 133 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the early adoption of the other new and revised FRSS are discussed below:

#### (a) FRS 2: Share-based Payment

Until 31 August 2005, the granting of share options to employees did not result in any change in the income statement. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### 3.1 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM EARLY ADOPTION OF NEW AND REVISED FRSS (CONT'D)

##### (a) FRS 2: Share-based Payment (Cont'd)

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 01 January 2006.

Since the ESOS were granted before 01 January 2005, this change has no impact on the Company's financial statements.

##### (b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 01 January 2006.

##### (i) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Until 31 August 2005, negative goodwill was amortised over its estimated useful life of 10 years. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in income statement. In accordance with transitional provisions of FRS 3, the remaining unamortised negative goodwill as at 01 September 2005 of RM6,903,396 should be derecognised with a corresponding increase in retained profit.

As the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 01 September 2005 are set out as follows:

	As previously reported RM	FRS 3 RM	As restated RM
Retained profit	9,608,046	6,903,396	16,511,442

There were no effects on the consolidated income statement for the year ended 31 August 2006 and the Company's financial statements.

##### (ii) Accounting for acquisitions

Until 31 August 2005, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably.

The change did not materially affect the financial statements of the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

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

#### 3.1 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM EARLY ADOPTION OF NEW AND REVISED FRSS (CONT'D)

##### (c) FRS 101: Presentation of Financial Statements

Until 31 August 2005, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Until 31 August 2005, the Group's share of taxation of associated company accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associated company accounted for using the equity method are now included in the respective share of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively and the following comparatives have been restated:-

Consolidated Balance Sheet:

	As previously reported RM	FRS 101 RM	As restated RM
Total equity	58,591,913	40,791	58,632,704

These changes in presentation has no impact on the Company's financial statements.

##### (d) FRS 140: Investment Property

Until 31 August 2005, investment properties were stated at valuation. Revaluations were carried out at least once every five years and any revaluation increase is taken to equity as a revaluation surplus. The investment properties were last revalued in 2004. Upon the adoption of FRS 140, investment properties are now stated at fair value, representing open-market value determined by external valuers. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

The Group has applied FRS 140 in accordance with the transitional provisions. The change in accounting policy has had no impact on amounts reported for 2005 or prior periods. Instead, the changes have been accounted for by restating the following opening balances of the Group as at 01 September 2005:-

	As at 01.09.2005 RM
Decrease in property, plant and equipment (note 4)	(1,294,633)
Increase in investment properties (note 6)	1,520,000
Increase in retained profit	(156,160)
Increase in deferred tax liabilities (note 19)	(69,207)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 4. PROPERTY, PLANT AND EQUIPMENT

Group	Other assets# RM	Plant, machinery and equipment RM	Land and buildings* RM	Building-in -progress RM	Motor vehicles RM	Total RM
<b>At 31 August 2006</b>						
<b>Cost</b>						
At 01 September 2005	2,892,071	11,192,418	28,939,318	599,701	5,851,194	49,474,702
Additions	603,696	2,708,076	1,250,693	2,588,538	1,526,623	8,677,626
Disposals	-	(115,908)	-	-	(549,428)	(665,336)
Write-offs	(2,990)	(47,609)	-	-	-	(50,599)
Reclassification	-	-	118,000	(118,000)	-	-
Effect of adopting FRS 140 (note 3.1 (d))	-	-	(1,335,000)	-	-	(1,335,000)
At 31 August 2006	3,492,777	13,736,977	28,973,011	3,070,239	6,828,389	56,101,393
<b>Accumulated depreciation</b>						
At 01 September 2005	907,741	6,757,656	1,895,462	-	3,793,026	13,353,885
Depreciation charge for the year	255,102	1,055,999	574,042	-	829,967	2,715,110
Disposals	-	(115,908)	-	-	(426,529)	(542,437)
Write-offs	(2,878)	(19,837)	-	-	-	(22,715)
Reclassification	(9,224)	7,711	1,513	-	-	-
Effect of adopting FRS 140 (note 3.1 (d))	-	-	(40,367)	-	-	(40,367)
At 31 August 2006	1,150,741	7,685,621	2,430,650	-	4,196,464	15,463,476
<b>Net carrying amount</b>						
At cost	2,342,036	6,051,356	25,470,756	3,070,239	2,631,925	39,566,312
At valuation	-	-	1,071,605	-	-	1,071,605
At 31 August 2006	2,342,036	6,051,356	26,542,361	3,070,239	2,631,925	40,637,917

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Other assets# RM	Plant, machinery and equipment RM	Land and buildings* RM	Building-in -progress RM	Motor vehicles RM	Total RM
<b>At 31 August 2005</b>						
<b>Cost</b>						
At 01 September 2004	2,300,365	10,820,798	26,625,281	494,300	5,214,309	45,455,053
Additions	594,316	374,020	3,356,558	643,950	1,027,823	5,996,667
Disposals	(1,360)	(2,400)	(1,581,070)	-	(316,938)	(1,901,768)
Write-offs	(1,250)	-	-	-	(74,000)	(75,250)
Reclassification	-	-	538,549	(538,549)	-	-
At 31 August 2005	2,892,071	11,192,418	28,939,318	599,701	5,851,194	49,474,702
<b>Accumulated depreciation</b>						
At 01 September 2004	697,328	5,647,849	1,390,097	-	3,237,125	10,972,399
Depreciation charge for the year	212,270	1,110,487	505,365	-	745,822	2,573,944
Disposals	(963)	(680)	-	-	(171,838)	(173,481)
Write-offs	(894)	-	-	-	(18,083)	(18,977)
At 31 August 2005	907,741	6,757,656	1,895,462	-	3,793,026	13,353,885
<b>Net carrying amount</b>						
At cost	1,984,330	4,434,762	25,972,251	599,701	2,058,168	35,049,212
At valuation	-	-	1,071,605	-	-	1,071,605
At 31 August 2005	1,984,330	4,434,762	27,043,856	599,701	2,058,168	36,120,817

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

#### Group

#### \* Land and buildings

	Long leasehold land RM	Freehold land RM	Long leasehold buildings RM	Freehold buildings RM	Electrical installation RM	Renovation RM	Total RM
<b>At 31 August 2006</b>							
<b>Cost</b>							
At 01 September 2005	2,534,948	6,717,159	9,646,973	9,267,515	364,404	408,319	28,939,318
Additions	11,697	-	734,879	162,700	252,732	88,685	1,250,693
Reclassification	-	(775,773)	-	893,773	-	-	118,000
Effect of adopting FRS 140	-	(300,000)	-	(1,035,000)	-	-	(1,335,000)
At 31 August 2006	2,546,645	5,641,386	10,381,852	9,288,988	617,136	497,004	28,973,011
<b>Accumulated depreciation</b>							
At 01 September 2005	112,751	-	657,533	750,119	171,035	204,024	1,895,462
Depreciation charge for the year	27,495	-	207,779	204,257	47,697	86,814	574,042
Reclassification	-	-	-	1,513	-	-	1,513
Effect of adopting FRS 140	-	-	-	(40,367)	-	-	(40,367)
At 31 August 2006	140,246	-	865,312	915,522	218,732	290,838	2,430,650
<b>Net carrying amount</b>							
At cost	2,406,399	4,569,781	9,516,540	8,373,466	398,404	206,166	25,470,756
At valuation	-	1,071,605	-	-	-	-	1,071,605
At 31 August 2006	2,406,399	5,641,386	9,516,540	8,373,466	398,404	206,166	26,542,361



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

#### Group

#### \* Land and buildings

	Long leasehold land RM	Freehold land RM	Long leasehold buildings RM	Freehold buildings RM	Electrical installation RM	Renovation RM	Total RM
<b>At 31 August 2005</b>							
<b>Cost</b>							
At 01 September 2004	2,209,948	7,428,662	8,404,154	8,028,966	314,254	239,297	26,625,281
Additions	325,000	869,567	1,242,819	700,000	50,150	169,022	3,356,558
Disposals	-	(1,581,070)	-	-	-	-	(1,581,070)
Reclassification	-	-	-	538,549	-	-	538,549
At 31 August 2005	2,534,948	6,717,159	9,646,973	9,267,515	364,404	408,319	28,939,318
<b>Accumulated depreciation</b>							
At 01 September 2004	88,045	-	481,566	565,711	128,186	126,589	1,390,097
Depreciation charge for the year	24,706	-	175,967	184,408	42,849	77,435	505,365
At 31 August 2005	112,751	-	657,533	750,119	171,035	204,024	1,895,462
<b>Net carrying amount</b>							
At cost	2,422,197	5,645,554	8,989,440	8,517,396	193,369	204,295	25,972,251
At valuation	-	1,071,605	-	-	-	-	1,071,605
At 31 August 2005	2,422,197	6,717,159	8,989,440	8,517,396	193,369	204,295	27,043,856

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	As at 31.08.2006 RM	As at 31.08.2005 RM
<b><u>Net carrying amount</u></b>		
(a) Property, plant and equipment acquired by hire purchase plan:-		
Motor vehicles	1,738,263	1,437,524
Plant, machinery and equipment	1,935,322	641,087
	3,673,585	2,078,611
(b) Property, plant and equipment pledged for banking facilities granted to subsidiary companies:-		
Freehold building	2,805,274	3,251,100
Freehold land	2,749,236	2,745,400
Long leasehold buildings	9,516,540	8,118,814
Long leasehold land	2,406,399	2,098,089
	17,477,449	16,213,403

(c) Fully depreciated property, plant and equipment at a total cost of RM5,905,955 (2005 - RM5,108,632) are still in use.

(d) One subsidiary company's freehold land was valued by the directors based on professional appraisals by an independent valuer using open market values.

Had the revalued land been carried at historical cost, the net carrying amount of the land that would have been included in the financial statements of the Group as at 31 August 2006 would be RM575,643 (2005 - RM496,386).

<b>Company</b>	<b>Signboard RM</b>
<b>At 31 August 2006</b>	
<b>Cost</b>	
At beginning and end of year	10,797
<b>Accumulated depreciation</b>	
At 01 September 2005	1,530
Depreciation charge for the year	1,080
At 31 August 2006	2,610
<b>Net carrying amount</b>	
At 31 August 2006	8,187

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (d) One subsidiary company's freehold land was valued by the directors based on professional appraisals by an independent valuer using open market values. (Cont'd)

<b>Company</b>	<b>Signboard RM</b>
<b>At 31 August 2005</b>	
<b>Cost</b>	
At beginning and end of year	10,797
<b>Accumulated depreciation</b>	
At 01 September 2004	450
Depreciation charge for the year	1,080
At 31 August 2005	1,530
<b>Net carrying amount</b>	
At 31 August 2005	9,267

# Other assets comprise office equipment, furniture and fittings, computers, air-conditioners and signboard.

### 5. INVESTMENT IN SUBSIDIARY COMPANIES

	<b>Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares		
- at 2004 valuation	49,191,992	49,191,992
- at cost	250,000	-
	49,441,992	49,191,992
Less:		
Accumulated impairment losses		
- recognised in revaluation reserve	(974,762)	-
- recognised in income statement	(6,307,691)	-
	42,159,539	49,191,992

The investment in subsidiary companies were revalued by the directors based on the net tangible assets value of the subsidiary companies as of 31 August 2006.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies, all are incorporated in Malaysia, are as follows:-

Name	Percentage holding		Principal activities
	2006 (%)	2005 (%)	
Syarikat U.D. Trading Sdn. Bhd.	100.00	100.00	Furniture, plywood, small hardware, parts and equipment dealings
U.D. Industries Sdn. Bhd.	99.42	99.42	Staples, nails and polyethylene foam manufacturing
U.D. Panelform Sdn. Bhd.	100.00	100.00	Furniture manufacturing and lamination
Sin Wee Seng Industries Sdn. Bhd.*	100.00	100.00	Seatee and sofa manufacturing
<b>Subsidiary companies of U.D. Panelform Sdn. Bhd.</b>			
U.D. Wood Products Sdn. Bhd.	100.00	100.00	Wooden furniture manufacturing and veneering
Evergreen Trend Sdn. Bhd.	100.00	100.00	Property investment
<b>Subsidiary companies of Sin Wee Seng Industries Sdn. Bhd.</b>			
Starlight Industry Sdn. Bhd.*	100.00	100.00	Property investment
Oriena Industry Sdn. Bhd.*	100.00	100.00	Property investment
<b>Subsidiary company of Syarikat U.D. Trading Sdn. Bhd.</b>			
Syarikat U.D. Trading Corporation Sdn. Bhd. #	51.00	-	Designing and building of bungalow/resort lot

\* Not audited by John Lim & Associates

# Incorporated on 13 June 2006 and commenced business on 01 July 2006

### 6. INVESTMENT PROPERTIES

	Group	
	2006 RM	2005 RM
At 01 September	2,395,000	2,395,000
Effect of adopting FRS 140 (note 3.1 (d))	1,520,000	-
Fair value adjustment	40,000	-
At 31 August	3,955,000	2,395,000

Investment properties with carrying amount of RM3,265,000 (2005 - RM1,694,630) are charged as securities for banking facilities granted to subsidiary companies.

Long leasehold land with carrying amount of RM240,000 (2005 - RM250,370) is in the midst of being transferred to the name of a subsidiary company.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 7. INTEREST IN ASSOCIATED COMPANY

	Group	
	2006	2005
	RM	RM
Unquoted shares, at cost	-	2,164,500
Share of post-acquisition loss	-	(233,976)
	-	1,930,524
Represented by:		
Share of associated company's net assets	-	1,930,524

The details of associated company, which is incorporated in Malaysia and not audited by John Lim & Associates, are as follows:-

Name	Percentage holding		Principal activity
	2006	2005	
	(%)	(%)	
Dimensi Alam Sdn. Bhd.	-	48.10	Property investment

### 8. OTHER INVESTMENTS

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Quoted shares				
- in Malaysia	518,777	823,448	-	-
- outside Malaysia	1,585,981	-	-	-
Unquoted shares, at cost	425,000	425,000	420,000	420,000
	2,529,758	1,248,448	420,000	420,000
Less:				
Impairment loss	501,153	-	210,000	-
	2,028,605	1,248,448	210,000	420,000
Market value of quoted shares				
- in Malaysia	418,265	649,850	-	-
- outside Malaysia	1,457,964	-	-	-
	1,876,229	649,850	-	-

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 9. AMOUNTS DUE BY SUBSIDIARY COMPANIES

#### Company

The amounts due by subsidiary companies which are of non-trade nature, are interest free and have no fixed terms of repayment.

### 10. INVENTORIES

	Group	
	2006 RM	2005 RM
Inventories stated at cost:-		
Trading merchandise	11,834,532	14,016,738
Finished goods	2,250,215	1,654,141
Work-in-progress	2,907,142	4,120,029
Raw material	19,535,483	17,760,806
Consumables	48,445	37,930
	36,575,817	37,589,644
Inventories stated at net realisable value:-		
Trading merchandise	56,205	655,020
Finished goods	-	3,779,618
	56,205	4,434,638
	36,632,022	42,024,282

### 11. TRADE RECEIVABLES

	Group	
	2006 RM	2005 RM
Trade receivables	24,269,297	19,818,387
Less:		
Allowance for doubtful debts	494,594	468,931
	23,774,703	19,349,456

The normal credit terms of trade receivables ranging from 14 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 11. TRADE RECEIVABLES (CONT'D)

The foreign currency exposures of trade receivables are as follows:-

	Group	
	2006 RM	2005 RM
Singapore Dollar	31,587	50,508
United States Dollar	1,868,867	1,942,899

### 12. OTHER RECEIVABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sundry receivables	9,551,622	8,173,458	3,712,000	-
Deposits, prepayments and receivables	788,928	554,923	1,000	1,000
	10,340,550	8,728,381	3,713,000	1,000
Less:				
Allowance for doubtful debt	-	1,751	-	-
	10,340,550	8,726,630	3,713,000	1,000

Included in sundry receivables are:-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Purchase consideration paid to Tycoon Success Sdn. Bhd., the vendor of an incoming subsidiary company - Poh Keong Industries Sdn.Bhd.	2,712,000	-	2,712,000	-
Non-trade advance to a former associated company - Dimensi Alam Sdn. Bhd.	1,580,929	-	-	-
Non-trade advance to an incoming subsidiary company - Poh Keong Industries Sdn. Bhd.	3,000,000	-	1,000,000	-
Amount due by purchaser of freehold land and building	-	709,824	-	-
	7,292,929	709,824	3,712,000	-

A settlement agreement has been entered into between a subsidiary company and Teratai Agriculture Sdn. Bhd., the purchaser of Dimensi Alam Sdn. Bhd., for the settlement of the non-trade advance of RM2,322,274 granted to this former associated company. As of 31 August 2006, RM741,345 had been settled with the balance of RM1,580,929 to be settled on or before 31 December 2006.

#### Group

The foreign currency exposure of sundry receivables for the year 2005 was in United States Dollar of RM81,153.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 13. AMOUNT DUE BY ASSOCIATED COMPANY

#### Group

The amount due by associated company which is of non-trade nature, is interest free and has no fixed term of repayment.

### 14. TRADE PAYABLES

#### Group

The normal credit terms of trade payables ranging from 14 to 120 days.

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

	Group	
	2006 RM	2005 RM
United States Dollar	596,191	923,654
New Taiwan Dollar	68,445	60,652
Euro Dollar	-	111,526

### 15. OTHER PAYABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sundry payables	2,018,077	2,681,265	6,361	27,945
Payroll liabilities	330,613	195,789	96,000	-
Deposits received and accruals	684,536	592,524	9,807	11,591
	3,033,226	3,469,578	112,168	39,536

#### Group

Included in sundry payables for the year 2005 was an amount of RM1,080,000, being the balance of purchase price for the acquisition of long leasehold land and building.

The foreign currency exposure of sundry payables is in United States Dollar of RM32,146 (2005 - RM15,280).

### 16. AMOUNTS DUE TO DIRECTORS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Amounts due to directors				
- of the Company	70,327	401,579	-	80,000
- of subsidiary companies	27,344	-	-	-
	97,671	401,579	-	80,000

The amounts due to directors are interest free, unsecured and have no fixed terms of repayment.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 17. BORROWINGS

	Group	
	2006 RM	2005 RM
Bank overdrafts	244,717	2,328,521
Bankers acceptances	38,538,000	41,935,000
Term loans - current portion	518,303	-
Hire purchase payables (note 18)	922,324	790,924
Trust receipts	1,532,846	1,207,207
	41,756,190	46,261,652
Term loans - non-current portion	1,300,583	-

The non-current portion of the term loans is repayable over the following periods:-

	Group	
	2006 RM	2005 RM
Between one to two years	523,793	-
Between two to five years	776,790	-
	1,300,583	-

(a) The bank borrowings of the Group are secured by:-

- (i) Facility Agreements;
- (ii) legal charges created over the properties of the subsidiary companies;
- (iii) debenture incorporating fixed and floating charges over all the present and future assets of the subsidiary companies;
- (iv) jointly and severally guaranteed by certain directors of the Company;
- (v) fixed deposits of the subsidiary companies;
- (vi) corporate guarantee by the Company and a subsidiary company; and
- (vii) CGC's Guarantee.

(b) The bank overdrafts bear interest at average rates ranging from 7.88% to 8.38% (2005 - 7.5% to 8.0%) per annum.

The trust receipts bear interest at an average rate of 8.38% (2005 - 7.67%) per annum.

The bankers acceptances bear interest at average rates ranging from 3.05% to 5.90% (2005 - 3.10% to 4.70%) per annum.

The term loans bear interest at average rates ranging from 3.68% to 5.00% (2005 - Nil) per annum.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 17. BORROWINGS (CONT'D)

(c) The term loans are repayable as follows:-

Loan account	No. of instalments	Monthly repayment
Term loan 1	36	RM2,998 commenced December 2005
Term loan 2	36	RM11,989 commenced December 2005
Term loan 3	36	RM2,998 commenced November 2005
Term loan 4	36	RM11,989 commenced November 2005
Term loan 5	12	RM19,735 commenced August 2006
}	12	RM20,256
}	36	RM20,715

### 18. HIRE PURCHASE PAYABLES

	Group	
	2006 RM	2005 RM
Due within one year	1,022,985	847,238
Less:		
Undue interest	100,661	56,314
	922,324	790,924
Due after one year	1,181,010	260,185
Less:		
Undue interest	59,776	11,719
	1,121,234	248,466

The hire purchase payables bear interest at effective rates ranging from 4.66% to 8.41% (2005 - 4.84% to 7.8900%) per annum.

### 19. DEFERRED TAXATION

(a) The deferred tax liabilities are made up of the following:-

	Group	
	2006 RM	2005 RM
At 01 September	1,032,533	1,097,714
Effect of adopting FRS 140 (note 3.1 (d))	69,207	-
Transfer to income statement (note 27(b))		
- current year provision	(327,160)	(24,803)
- prior year underprovision	228,828	-
- effect on opening deferred tax resulting from a reduction in income tax rate	-	(40,378)
	(98,332)	(65,181)
At 31 August	1,003,408	1,032,533

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 19. DEFERRED TAXATION (CONT'D)

(b) The movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:-

	Group	
	2006 RM	2005 RM
Deferred tax assets:-		
At 01 September	323,774	197,212
Effect of adopting FRS 140	(8,196)	-
Recognised in the income statement	360,238	126,562
<b>At 31 August</b>	<b>675,816</b>	<b>323,774</b>
Deferred tax liabilities:-		
At 01 September	1,356,307	1,294,926
Effect of adopting FRS 140	61,011	-
Recognised in the income statement - excess of property, plant and equipment's net book value over their tax written down value	261,906	61,381
<b>At 31 August</b>	<b>1,679,224</b>	<b>1,356,307</b>

(c) The components of deferred tax (assets)/liabilities as at the end of the financial year comprise tax effect of:-

	Group	
	2006 RM	2005 RM
Deferred tax assets:-		
Revaluation deficit on investment properties	-	8,196
General provisions	84,310	102,609
Others	32,421	159,028
Unused tax losses	256,059	-
Unutilised capital allowances	303,026	53,941
<b>At 31 August</b>	<b>675,816</b>	<b>323,774</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 19. DEFERRED TAXATION (CONT'D)

- (c) The components of deferred tax (assets)/liabilities as at the end of the financial year comprise tax effect of:-  
(Cont'd)

	Group	
	2006	2005
	RM	RM
Deferred tax liabilities:-		
Revaluation surplus on investment properties	61,011	-
Excess of property, plant and equipment's net book value over their tax written down value	1,553,713	1,291,807
Revaluation reserve	64,500	64,500
At 31 August	1,679,224	1,356,307

- (d) The Group has unutilised reinvestment allowances of approximately RM7.51 million (2005 - RM2.79 million) available at year end against which no future income tax benefits have been taken up.

### 20. NEGATIVE GOODWILL ON CONSOLIDATION

	Group	
	2006	2005
	RM	RM
Negative goodwill - Arising from acquisition of subsidiary companies	8,629,244	8,629,244
Less:		
- Aggregate amount credited	1,725,848	1,725,848
- Effect of adopting FRS 3	6,903,396	-
At 31 August	-	6,903,396

In accordance with the transitional provisions of FRS 3 Business Combinations, the remaining unamortised negative goodwill as at 01 September 2005 of RM6,903,396 was derecognised with a corresponding increase in retained profit.

### 21. SHARE CAPITAL

	Company	
	2006	2005
	RM	RM
Ordinary shares of RM0.50 each		
Authorised:-		
At 01 September	100,000,000	50,000,000
Created during the year	-	50,000,000
At 31 August	100,000,000	100,000,000

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 21. SHARE CAPITAL (CONT'D)

	Company	
	2006 RM	2005 RM
Issued and fully paid:-		
At 01 September	42,168,500	40,000,000
Exercise of ESOS	-	2,168,500
Rights issue	10,542,125	-
Bonus issue	10,542,125	-
At 31 August	63,252,750	42,168,500

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

#### (i) EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Group's ESOS which shall be in force for a period of 5 years, was approved by the Securities Commission on 01 September 2004 and by the shareholders of the Company at the Extraordinary General Meeting held on 25 August 2004. The ESOS became effective on 13 September 2004. Pursuant to the scheme, options to subscribe for ordinary shares of RM0.50 each are granted to eligible employees of the Group, including executive directors of any company in the Group.

The salient features of the ESOS are summarised as follows:-

- (a) The maximum number of new UDS shares which may be subscribed on the exercise of options granted under the ESOS shall not exceed fifteen per centum (15%) of the issued and paid-up share capital of the Company or such maximum percentages as allowable by any relevant authorities at any point of time during the existence of the ESOS.
- (b) Any employee including any director of the Group shall be eligible to participate in the ESOS if, as at the Date of Offer, the employee:-
  - (i) is at least eighteen (18) years of age or above;
  - (ii) in respect of an employee (including Executive Director) is confirmed and employed full-time by and on the payroll of any company in the Group; and
  - (iii) in respect of a Non-Executive Director, is a member of the board of directors of a company(ies) comprised in the Group;

hereinafter known as "Eligible Employees".
- (c) The number of new shares that may be offered and allotted to any Eligible Employees of the Group shall be at the discretion of the Option Committee after taking into consideration the performance, seniority and length of service of the Eligible Employees and such other factors that the Option Committee may deem relevant, subject to the following:-
  - (i) not more than fifty per centum (50%) (or such percentage as allowable by the relevant authorities) of the shares available under the ESOS should be allocated, in aggregate, to directors and senior management of the Group; and

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 21. SHARE CAPITAL (CONT'D)

#### (i) EMPLOYEES' SHARE OPTION SCHEME (ESOS) (CONT'D)

- (ii) not more than ten per centum (10%) (or such percentage as allowable by the relevant authorities) of the shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through person connected with the director or employee (as defined in the Listing Requirements), holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company;

provided always that it is in accordance with any prevailing guidelines issued by the Bursa Malaysia Securities Berhad ('Bursa Securities'), the Listing Requirements or any other relevant authorities as amended from time to time.

The Option Committee shall offer to an Eligible Employee not less than one hundred (100) shares nor more than the maximum entitlement stipulated hereunder:-

Category of Employee	Maximum Allowable Allotment Percentage (%)*
Executive Director	10
Non-Executive Director	3
Directors of the subsidiary companies	3
General Manager	3
Manager	2
Executive	1
Supervisor	1
Clerical	1
Non-Clerical	0.5

\* Based on the total number of shares in the Company available under the ESOS.

- (d) The ESOS take effect 26 August 2004 and continue to be in force for a period of five (5) calendar years from its effective date. However, the ESOS may at the discretion of the Option Committee, be extended or renewed (as the case may be) provided always that the initial ESOS period stipulated above and such extension of ESOS made pursuant to this By-Laws shall not in aggregate exceed a duration of ten (10) years. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be).
- (e) The price at which the grantee is entitled to subscribe for each of the new UDS share shall be fixed based on the 5-day weighted average market price of the UDS shares, as quoted on the Bursa Securities, at the Date of Offer with a discount of not more than ten per centum (10%), if deemed appropriate, or such lower or higher limit in accordance with any prevailing guidelines issued by the Bursa Securities or any other relevant authorities as amended from time to time, or at the par value of each of the share of the Company, whichever is higher.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 21. SHARE CAPITAL (CONT'D)

#### (i) EMPLOYEES' SHARE OPTION SCHEME (ESOS) (CONT'D)

- (f) An Offer made by the Option Committee to an Eligible Employee shall be valid for a period of fourteen (14) calendar days from the Date of Offer and shall be accepted within this prescribed period by the Eligible Employee to whom the Offer is made by a written notice to the Option Committee in such form as may be prescribed by the Option Committee of such acceptance accompanied by a payment to the Company of a non-refundable cash consideration of RM1.00 only for the grant of the Option. The day of receipt of such written notice shall constitute the date of acceptance.
- (g) The new shares to be allotted and issued upon exercise of any Option shall upon allotment, rank pari passu in all respects with the existing issued and paid-up ordinary shares of the Company, except that the new shares so allotted shall not be entitled to any dividend, rights, allotment or other distribution unless the shares so allotted have been credited into the relevant securities accounts maintained by the Bursa Malaysia Depository Sdn. Bhd. before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission or otherwise of the shares of the Company.

The summary of the movements of ESOS are as follows:-

<b>Number of unissued ordinary shares under ESOS</b>					
<b>Date granted</b>	<b>Expiry date</b>	<b>Exercise price per share*</b>	<b>01 September 2005</b>	<b>Adjustment for rights and bonus issue</b>	<b>31 August 2006</b>
		<b>RM</b>			
13.09.2004	12.09.2009	0.58	3,979,000	1,002,971	4,981,971

\* after adjustment for rights and bonus issue

During the financial year, the Company's 42,168,500 new ordinary shares of RM0.50 was increased by way of rights and bonus issue. As a result, the exercise price and the number of unissued ordinary shares under ESOS were adjusted to incorporate the bonus element of the rights and bonus issue.

#### (ii) WARRANTS

During the financial year, the Company had issued 21,084,250 warrants which were listed on Bursa Malaysia Securities Berhad on 02 December 2005. All of the warrants remained unexercised as at the end of the current financial year.

The warrants were issued in conjunction with the rights issue on the basis of one (1) warrant attached to one (1) rights share subscribed.

The warrants are constituted by a Deed Poll dated 8 September 2005 executed by the Company. The main features of the warrants are as follows:-

- (a) Each warrant entitles the registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price of RM0.80 per share, subject to adjustment in accordance with the provisions of the Deed Poll.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 21. SHARE CAPITAL (CONT'D)

#### (ii) WARRANTS (CONT'D)

- (b) The warrants may be exercised at any time on or before the expiry date of ten (10) years from the issue date of the warrants on 02 December 2005. The warrants not exercised during the exercise period will thereafter become lapse and void.
- (c) All the new ordinary shares in UDS Capital Berhad to be issued upon the exercise of the warrants shall, on allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Company except that they shall not be entitled to any dividends, that may be declared prior to the date of allotment and issue of the new UDS shares, nor shall they be entitled to any distributions or entitlements for which the record date is prior to the date of exercise of the warrants.

Subsequent to the financial year end and as at the date of this report, there are no outstanding warrants in issue.

### 22. RESERVES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-distributable reserves:				
Share premium	12,494,536	6,815,367	12,494,536	6,815,367
Revaluation reserve	-	-	-	11,516,887
	12,494,536	6,815,367	12,494,536	18,332,254
Distributable reserve:				
(Accumulated loss)/Retained profit	(5,147,109)	9,608,046	(5,895,954)	2,685,173
	7,347,427	16,423,413	6,598,582	21,017,427

#### (a) Share premium

The movements in the share premium account of the Company are as follows:-

	Group and Company	
	2006 RM	2005 RM
At 01 September	6,815,367	5,852,957
Rights issue of 21,084,250 new ordinary shares of RM0.50 each at RM0.80 per rights share	6,325,275	-
Exercise of ESOS of 4,337,000 ordinary shares of RM0.50 each at RM0.73 per share	-	997,510
Less:		
Transfer listing expenses incurred	(11,000)	-
Share issue expenses incurred	(635,106)	(35,100)
	12,494,536	6,815,367

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 22. RESERVES (CONT'D)

#### (b) Revaluation reserve

The movements in the revaluation reserve account of the Company are as follows:-

	Company	
	2006 RM	2005 RM
At 01 September	11,516,887	11,516,887
Capitalisation pursuant to bonus issue	(10,542,125)	-
Impairment loss on investment in subsidiary companies	(974,762)	-
At 31 August	-	11,516,887

The revaluation reserve is used to record increases and decreases in revaluation of non-current assets, as described in the accounting policies. This amount arose from the revaluation of investment in subsidiary companies.

#### Group

The subsidiary companies have sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of their retained profits of approximately RM28.5 million (2005 - RM31.8 million).

In additions, the subsidiary companies have the following tax exempt accounts:-

- (i) under Schedule 7A of the Income Tax Act, 1967 relating to reinvestment allowances of approximately RM6.4 million (2005 - RM6.1 million);
- (ii) under Section 12 of the Income Tax (Amendment) Act, 1999 of approximately RM3.6 million (2005 - RM3.6 million); and
- (iii) under Section 7(3) of the Promotion of Investments Act, 1986 of approximately RM4.3 million (2005 - RM3.2 million).

### 23. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sales of goods and lamination charges	116,080,374	98,319,528	-	-
Dividend income	-	-	-	3,140,000
Interest income	28,207	8,386	28,207	8,386
	116,108,581	98,327,914	28,207	3,148,386

Revenue of the Group represents the invoiced value of furniture, plywood, small hardware, parts and equipment, packing staples, nails, polyethylene foam, veneered wood and furniture related products, less discounts and returns, and lamination charges and interest earned.

Revenue of the Company represents dividend income from subsidiary companies and interest earned.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 24. OTHER INCOME

Other income comprise the followings:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Allowance for doubtful debts no longer required	35,663	-	-	-
Bad debts recovered	94,032	22,560	-	-
Dividend from quoted investments	158,919	11,000	-	-
Fair value adjustment on investment properties	40,000	-	-	-
Foreign exchange gain				
- realised	350,148	15,019	-	-
- unrealised	10,745	3,621	-	-
Gain on disposal of property, plant and equipment	235,500	239,310	-	-
Gain on disposal of quoted investments	64,868	-	-	-
Haulage charges received	600	25	-	-
Insurance claim	433,710	287,069	-	-
Interest income	191,690	209,604	-	-
Lease of land	2,500	2,500	-	-
Negative goodwill credited	-	862,924	-	-
Rental income	118,500	137,850	-	-
Sundry revenue	179,815	81,046	-	216
	1,916,690	1,872,528	-	216

### 25. FINANCE COST

	Group	
	2006	2005
	RM	RM
Interest on		
- bankers acceptances	1,456,270	1,264,247
- bank overdrafts	115,675	169,996
- hire purchase	108,928	103,872
- trust receipts	161,587	121,126
- term loans	46,024	-
- overdue	96	5
	1,888,580	1,659,246

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 26. (LOSS)/PROFIT BEFORE TAXATION

This is arrived at after inclusion of the following charges:-

(a)	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Allowance for doubtful debts	153,606	364,946	-	-
Auditors' remuneration:				
- current - Company's auditors	42,000	41,000	6,000	6,000
- others auditors	16,200	14,200	-	-
- overprovision - Company's auditors	-	(4,000)	-	-
Bad debts written off	43,529	315,555	-	-
Deposit forfeited	3,700	7,900	-	-
Depreciation	2,715,110	2,573,944	1,080	1,080
Direct operating expenses of investment properties				
- revenue generating during the year	16,957	10,827	-	-
- non-revenue generating during the year	2,618	2,477	-	-
Expenditure on increase of authorised capital	-	10,000	-	10,000
Foreign exchange loss:				
- unrealised	1,297	1,590	-	-
- realised	147,845	81,313	-	-
Gratuity paid to a former director	-	800,000	-	-
Hiring of machinery and equipment	1,985	1,100	-	-
Hiring of vehicles	39,298	37,002	-	-
Impairment loss on other investment	501,153	-	210,000	-
Impairment loss on investment in subsidiary companies	-	-	6,307,691	-
Loss on disposal of property, plant and equipment	7,899	122	-	-
Preliminary expenses written off	2,500	-	-	-
Pre-operating expenses written off	48,618	-	-	-
Property, plant and equipment written off	27,884	56,273	-	-
Rental of				
- hostel	38,400	36,600	-	-
- office equipment	10,990	8,269	-	-
- premises	141,410	75,500	-	-
- showroom	-	4,455	-	-

### (b) Directors' remuneration

(i)	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,046,000	1,018,000	60,000	50,000
Defined contribution retirement plan	73,560	73,800	-	-
Benefit-in-kind	78,750	123,756	-	69,185
Other related cost	1,682	1,341	-	-
	1,199,992	1,216,897	60,000	119,185

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 26. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

#### (b) Directors' remuneration (Cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
(i) Directors of the Company				
Non-Executive: Fees	36,000	30,000	36,000	30,000
	1,235,992	1,246,897	96,000	149,185
(ii) Directors of the subsidiary companies				
	2006 RM	2005 RM	2006 RM	2005 RM
Executive:				
Salaries and other emoluments	134,169	67,769	-	-
Defined contribution retirement plan	11,016	5,736	-	-
Benefit-in-kind	9,100	30,172	-	-
	154,285	103,677	-	-

The number of directors of the Company and its subsidiary companies whose total remuneration during the financial year fell within the following bands are as follows:

	Number of directors	
	2006	2005
Executive directors of the Company		
- Below RM50,000	1	1
- RM50,001 - RM100,000	-	-
- RM100,001 - RM150,000	-	-
- RM150,001 - RM200,000	-	-
- RM200,001 - RM250,000	1	1
- RM250,001 - RM300,000	1	1
- RM300,001 - RM350,000	2	2
Executive directors of the subsidiary companies		
- Below RM50,000	2	2
- RM50,001 - RM100,000	-	1
- RM100,001 - RM150,000	1	-
Non-Executive directors		
- Below RM50,000	3	3
	8	8
	3	3
	11	11

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 27. TAXATION

(a) Movements in the taxation statements are:-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At 01 September	(1,442,775)	(614,409)	(6,205)	5,372
Taxation charge for the year				
- Malaysian income tax	194,894	1,522,965	-	874,495
- Foreign tax	24,869	-	-	-
Prior year underprovision	133,695	11,685	-	-
Real Property Gains Tax	-	41,786	-	-
Tax paid	(1,282,287)	(2,359,936)	(1,500)	(6,872)
Real Property Gains Tax paid	-	(41,786)	-	-
Tax deducted at source	(8,141)	(3,080)	-	(879,200)
<b>At 31 August</b>	<b>(2,379,745)</b>	<b>(1,442,775)</b>	<b>(7,705)</b>	<b>(6,205)</b>
Income tax comprise the following:-				
Tax recoverable	(2,401,910)	(1,458,497)	(7,705)	(6,205)
Tax payable	22,165	15,722	-	-
	<b>(2,379,745)</b>	<b>(1,442,775)</b>	<b>(7,705)</b>	<b>(6,205)</b>

(b) The taxation expenses comprise:-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Taxation charge for the year				
- Malaysian income tax	194,894	1,522,965	-	874,495
- Foreign tax	24,869	-	-	-
Prior year underprovision	133,695	11,685	-	-
Real Property Gains Tax	-	41,786	-	-
Transfer from deferred taxation (note 19)				
- current year provision	(327,160)	(65,181)	-	-
- prior year underprovision	228,828	-	-	-
<b>Taxation expenses for the year</b>	<b>255,126</b>	<b>1,511,255</b>	<b>-</b>	<b>874,495</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 27. TAXATION (CONT'D)

(c) A reconciliation of the statutory tax rates to the Group's and the Company's effective tax rates applicable to pre-tax (loss)/profit is as follows:-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
(Loss)/profit before taxation	(9,201,589)	6,076,708	(6,759,448)	2,930,568
Taxation at statutory tax rate of 28%	(2,576,445)	1,701,478	(1,892,645)	820,559
Tax effects of:				
- opening deferred tax resulting from a reduction in income tax rate	-	(40,378)	-	-
- (loss)/profit subject to different tax rates	448,999	(124,902)	-	-
- non-taxable items	(26,226)	(283,858)	-	-
- double deduction items	(164,987)	(130,903)	-	-
- non-deductible items	857,445	396,808	1,892,343	53,634
- depreciation on non-qualifying property, plant and equipment	184,375	101,429	302	302
Real Property Gains Tax	-	31,816	-	-
Reinvestment allowances incentive	(438,657)	(151,920)	-	-
Prior year underprovision				
- income tax	133,695	11,685	-	-
- deferred tax	228,828	-	-	-
Deferred tax assets not recognised	1,608,099	-	-	-
Income tax expenses for the year	255,126	1,511,255	-	874,495

### 28. EARNINGS PER SHARE

#### (a) Basic earnings per share

The basic earnings per share is calculated by dividing the Group earnings attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year. The weighted average number of shares in issue has been retroactively adjusted to incorporate the effect of the bonus shares issue during the year.

	Group	
	2006 RM	2005 RM
Net (loss)/profit attributable to ordinary equity holders of the Company	(9,450,907)	4,565,612

	2006	2005
	Units	Units
Number of ordinary shares in issue as of 01 September	84,337,000	80,000,000
Effect of the exercise of ESOS	-	3,191,362
Effect of rights issue	15,827,629	-
Effect of bonus issue (2005 - restated)	21,084,250	21,084,250
Weighted average number of ordinary shares in issue (2005 - restated)	121,248,879	104,275,612

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 28. EARNINGS PER SHARE (CONT'D)

#### (a) Basic earnings per share (Cont'd)

	Group	
	2006	2005
	RM	RM
Basic earnings per share (2005 - restated)	(0.078)	0.044

#### (b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: warrants and share options granted to employees.

The share options and warrants are calculated based on the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options and warrants. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the year for the share options and warrants calculation.

	Group	
	2006	2005
	RM	RM
Net (loss)/profit attributable to ordinary equity holders of the Company	(9,450,907)	4,565,612
	<b>Units</b>	<b>Units</b>
Weighted average number of ordinary shares in issue	121,248,879	104,275,612
Add:		
Dilutive ESOS	-	966,329
Dilutive warrants	-	335,164
	-	1,301,493
Adjusted weighted average number of ordinary shares calculating diluted earnings per share	121,248,879	105,577,105
	<b>RM</b>	<b>RM</b>
Diluted earnings per share (2005 - restated)	N/A	0.043

During the financial year, the diluted earnings per share of the Group has not been presented as the conversion of each class of potential shares have anti-dilutive effect as the exercise price of the potential shares are above the average market value of the Company's shares during financial year ended 31 August 2006.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 29. DIVIDEND

	Group and Company 2006	2005
	RM	RM
Paid		
A first and final dividend of 4% less 28% tax (2005 - 5% less 28% tax) in respect of year ended 31 August 2005 (2005 - 31 August 2004)	1,821,679	1,518,066

The directors do not recommend the payment of a final dividend in respect of year ended 31 August 2006.

### 30. INCORPORATION AND ADDITIONAL INVESTMENT IN SUBSIDIARY COMPANIES

On 13 June 2006, a subsidiary company subscribed 51% equity shares in Syarikat U.D. Trading Corporation Sdn. Bhd. for cash consideration of RM51. The subsidiary company has on 04 December 2006 subscribed additional 50,949 ordinary shares of RM1 each at par in Syarikat U.D. Trading Corporation Sdn. Bhd..

During the financial year, the Company also subscribed additional 250,000 new ordinary shares of RM1 each in a wholly-owned subsidiary company - Sin Wee Seng Industries Sdn. Bhd. fully paid at par.

The effects of the incorporation of the subsidiary company on the financial statements are as follows:-

(a) Effect on the financial results of the Group at the financial year end is as follows:-

	Group Incorporation of subsidiary company 2006
	RM
Revenue	NIL
Administrative expenses	(97,091)
Selling expenses	(5,534)
Loss before taxation	(102,625)
Income tax expense	-
Increase in Group's net loss for the year	(102,625)

(b) Effect on the financial position of the Group as at year end is as follows:-

	Group Incorporation of subsidiary company 2006
	RM
Property, plant and equipment	2,565
Inventories	49,931
Deposits	700
Cash and bank balances	9,062
Payables	(11,455)
Amount due to director	(25,000)
Amount due to immediate holding company	(128,328)
Decrease in Group's net assets	(102,525)

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 30. INCORPORATION AND ADDITIONAL INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

- (c) The details of net assets acquired and cash flow arising from the incorporation of the subsidiary company are as follows:-

	At date of incorporation 2006 RM
Cash in hand	100
Minority interest	(49)
Total purchase consideration	51
Less:	
Cash and cash equivalents of subsidiary company incorporated	51
Cash flow on incorporation of subsidiary company, net of cash acquired	-

### 31. CASH FLOW STATEMENTS

- (a) Purchase of property, plant and equipment

During the financial year, the Group made the following cash payments to purchase property, plant and equipment:-

	Group	
	2006 RM	2005 RM
Purchase of property, plant and equipment (note 4)	8,677,626	5,996,667
Financed by hire purchase loan	(2,065,661)	(502,800)
Cash payments on purchase of property, plant and equipment	6,611,965	5,493,867

- (b) Cash and cash equivalents included in the cash flow statements comprise the following:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash in hand				
- Malaysian Ringgit	101,773	3,014,055	-	-
- United States Dollar	1,249	30,388	-	-
- Euro Dollar	4,583	16,562	-	-
- others	2,243	20,970	-	-
Cash at banks				
- Malaysian Ringgit	5,213,853	2,024,723	221,017	181,562
- United States Dollar	403,757	170,631	-	-
Fixed deposits with licensed banks	-	259,640	-	-
Bank overdrafts				
- Malaysian Ringgit	(244,717)	(2,328,521)	-	-
	5,482,741	3,208,448	221,017	181,562
Fixed deposits with licensed banks	5,202,506	4,603,961	-	-
Unclaimed dividends at bank	38,185	5,904	38,185	5,904
	10,723,432	7,818,313	259,202	187,466

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 31. CASH FLOW STATEMENTS (CONT'D)

#### Group

The fixed deposits are pledged for credit facilities granted to subsidiary companies, and fixed deposits of RM3,181,529 (2005 - RM3,363,601) are held in trust in the name of certain directors.

The above fixed deposits have maturity ranging from 365 to 456 (2005 - 182 to 456) days and carry interest at average rates ranging from 2.80% to 3.88% (2005 - 2.75% to 3.70%) per annum.

### 32. SIGNIFICANT RELATED PARTY TRANSACTION

Significant transaction undertaken with subsidiary companies during the financial year was as follows:

	Company	
	2006 RM	2005 RM
Dividends received	-	3,140,000

### 33. NUMBER OF EMPLOYEES AND STAFF COSTS

(a) The total staff costs recognised in the income statement were as follows:-

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Salaries and wages	9,373,401	8,244,179	96,000	80,000
Defined contribution retirement plan	724,950	691,547	-	-
Other employee benefits	145,682	894,210	-	-
	10,244,033	9,829,936	96,000	80,000

(b) The number of employees in the Group as at 31 August was as follows:

	Group	
	2006 Nos.	2005 Nos.
Management	8	8
Administration	122	109
Operations	424	328
	554	445

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 34. CONTINGENT LIABILITY - UNSECURED

#### Company

The Company has extended corporate guarantee to bankers for credit facilities to a limit of approximately RM70.2 million (2005 - RM67.3 million) granted to subsidiary companies.

Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the subsidiary companies amounting to approximately RM44.6 million as of 31 August 2006 (2005 - RM45.2 million).

Subsequent to the balance sheet date, the Company has extended additional corporate guarantee to bankers for credit facilities of RM16.8 million granted to subsidiary companies.

### 35. MATERIAL LITIGATION

Save as disclosed below, the Company and its subsidiary companies are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Group. The directors of UDS have no knowledge of any proceedings, pending or threatened or of any facts likely to give rise to any proceedings which may materially or adversely affect the position or business of the Company and its subsidiary companies except that:

- a subsidiary company - Syarikat U.D. Trading Sdn. Bhd. (UDT) had sold goods to Chuan Lai Furniture ("CLF") amounting to RM142,549 and obtained a guarantee dated 24 June 2000 from the partners of CLF, namely Goo Chuan Huat and Goo Chuan Lai. UDT filed an action against CLF as a firm together with the partners of CLF and obtained judgment in default on 2 October 2002. As CLF still failed to pay, UDT proceeded with a writ of seizure and sale proceedings ("WSS") against CLF. Further, as CLF had taken out the goods and/or part of the goods that was seized by the Sessions Court Bailiff of Batu Pahat, UDT then filed an application for committal and was successful.

CLF attempted to set aside all the judgments against it but failed. CLF's appeal to the Court of Appeal to seek leave to proceed with its appeal to set aside the WSS was also dismissed.

In the meantime, Goo Chuan Lai (trading as Chuan Lai Furniture) has taken legal action against UDT and the bailiff of the Sessions Court of Batu Pahat claiming, inter-alia, (i) unspecified damages (ii) that the WSS proceeding was void and illegal and (iii) that UDT be restrained from proceeding with the said WSS. UDT is planning to file an application to strike out the legal action. Based on the advice of its lawyers, the directors of UDT are of the view that UDT has a good chance of striking out the legal action. UDT is also confident that in the unlikely event UDT fails in defending any counter-suit by CLF, the damages awarded would not have any material financial impact on UDT. Furthermore, the said trade debts (inclusive of interest and other charges) amounting to RM172,666 had been fully written-off by UDT in its financial statements for the financial year ended 31 August 2003.

### 36. CAPITAL COMMITMENT

	Group	
	2006	2005
	RM	RM
Approved and contracted for:-		
Construction of factory building	-	328,511
Purchase of machinery	-	730,378
	-	1,058,889
Approved but not contracted for:-		
Construction of factory building	1,208,566	2,277,666

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 37. SEGMENTAL REPORTING - GROUP

Segment information is presented in respect of the Group's business segment.

2006	Investment holding RM	Manufacturing RM	Marketing and distribution RM	Property investment RM	Eliminations RM	Consolidated RM
<b>REVENUE AND EXPENSES</b>						
<b>Revenue</b>						
External sales	28,207	59,439,185	56,641,189	-	-	116,108,581
Inter-segment revenue	-	21,889,446	5,702,642	38,400	(27,630,488)	-
<b>Total</b>	<b>28,207</b>	<b>81,328,631</b>	<b>62,343,831</b>	<b>38,400</b>	<b>(27,630,488)</b>	<b>116,108,581</b>
<b>Results</b>						
Segment results	(6,759,448)	(3,844,179)	(2,785,208)	238,831	7,117,174	(6,032,830)
Finance cost, net	-	(1,020,540)	(643,391)	(32,959)	-	(1,696,890)
Share of loss of associated company						(1,930,524)
Gain on disposal of associated company						458,655
Loss before taxation						(9,201,589)
Income tax expense						(255,126)
Net loss for the year						(9,456,715)
Attributable to:						
Equity holders of the Company						(9,450,907)
Minority interest						(5,808)
						(9,456,715)
<b>ASSETS AND LIABILITIES</b>						
Segment assets #	4,190,389	61,388,648	58,754,193	4,003,716	-	128,336,946
Segment liabilities @	150,353	32,353,700	24,563,838	2,010,183	-	59,078,074
<b>OTHER INFORMATION</b>						
Capital expenditure	-	7,574,932	1,102,694	-	-	8,677,626
Depreciation	1,080	1,947,719	721,125	36,690	-	2,706,614
Amortisation	-	-	-	8,496	-	8,496
Non-cash expenses other than depreciation and amortisation	210,000	87,702	456,701	-	-	754,403

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 37. SEGMENTAL REPORTING - GROUP (CONT'D)

Segment information is presented in respect of the Group's business segment. (Cont'd)

2005	Investment holding RM	Manufacturing RM	Marketing and distribution RM	Property investment RM	Eliminations RM	Consolidated RM
<b>REVENUE AND EXPENSES</b>						
<b>Revenue</b>						
External sales	8,386	41,840,344	56,479,184	-	-	98,327,914
Inter-segment revenue	3,140,000	21,446,771	7,425,665	38,400	(32,050,836)	-
<b>Total</b>	<b>3,148,386</b>	<b>63,287,115</b>	<b>63,904,849</b>	<b>38,400</b>	<b>(32,050,836)</b>	<b>98,327,914</b>
<b>Results</b>						
Segment results	2,930,568	4,640,553	3,066,342	174,304	(3,139,558)	7,672,209
Finance cost, net						(1,449,642)
Share of loss of associated company	-	-	(145,859)	-	-	(145,859)
Profit before taxation						6,076,708
Income tax expense						(1,511,255)
Net profit for the year						4,565,453
Attributable to:						
Equity holders of the Company						4,565,612
Minority interest						(159)
Profit attributable to shareholders						4,565,453
<b>ASSETS AND LIABILITIES</b>						
Segment assets #	826,302	59,156,328	58,284,485	4,044,795	-	122,311,910
Investment in associated company	-	-	1,930,524	-	-	1,930,524
Total segment assets						124,242,434
Segment liabilities @	125,440	34,151,683	29,474,014	2,268,835	-	66,019,972
<b>OTHER INFORMATION</b>						
Capital expenditure	-	4,228,785	1,762,632	5,250	-	5,996,667
Depreciation	1,080	1,966,258	561,420	36,690	-	2,565,448
Amortisation	-	-	-	8,496	-	8,496
Non-cash expenses other than depreciation and amortisation	10,000	139,185	550,806	-	-	699,991

An analysis by geographical segment has not been presented as the Group operates wholly in Malaysia.

# : Segment assets comprise total current and non-current assets, less tax recoverable.

@ : Segment liabilities comprise total current and long-term liabilities, less tax payable and deferred taxation.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 04 July 2006, a subsidiary company has entered into a Sale of Shares Agreement to dispose of its entire equity stake in an associated company - Dimensi Alam Sdn. Bhd. (DASB) comprising 2,164,500 ordinary shares of RM1 each, representing 48.1% of the issued and paid-up share capital of DASB to Teratai Agriculture Sdn. Bhd. for a total sale consideration of RM458,655.
- (b) On 25 August 2006, the Company has entered into a Sale and Purchase Agreement with Tycoon Success Sdn. Bhd. to acquire 951,150 ordinary shares of RM1 each, representing 51% equity interest in Poh Keong Industries Sdn. Bhd. at a total purchase consideration of RM2.712 million to be satisfied by cash.

The acquisition of Poh Keong Industries Sdn. Bhd. has completed on 09 October 2006 upon approval by relevant authority and share transfer.

### 39 FAIR VALUES

#### Recognised

- (a) The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximated their fair values except for the followings:

	Group			
	2006		2005	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Non-current financial liabilities				
Term loans	1,300,583	1,198,468	-	-
Hire purchase payables	1,121,234	1,098,015	248,466	248,116

The fair value of long term borrowings have been determined by discounting the relevant cash flows using current interest rates as at the balance sheet date

- (b) It is not practical to estimate the fair values of investment in subsidiary companies, associated company and other unquoted investments due to the constraints of timeliness and cost involved.
- (c) It is also not practical to estimate the fair value of amounts due by subsidiary companies principally due to lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received.

#### Unrecognised

- (a) It is not practical to estimate the fair value of contingent liability reliably due to the uncertainties of timing, costs and eventual outcome.
- (b) The fair values of forward exchange contracts of the Group as at 31 August 2006 are estimated at RM25,060,745 (2005 - RM559,200), determined using forward exchange market rate at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- 31 August 2006

### 40. FINANCIAL RISK MANAGEMENT

The operations of the Group is exposed to a variety of financial risks, including foreign currency risk, credit risk, interest rate risk, liquidity and cash flow risks. The objective of the overall financial risk management of the Group is to minimise the Group's exposure to risks and cost associated with the financing, investing and operating activities of the Group. Financial risk management is carried out through risk reviews, internal control systems and insurance programme.

#### (a) Foreign currency risk

The Group incurs foreign currency risk on sale and purchase transactions denominated in currencies other than Malaysian Ringgit. The currency giving rise to this risk is primarily United States Dollar and Euro Dollar.

Foreign exchange exposure in transactional currencies are kept to an acceptable level.

The Group had entered into forward foreign exchange contracts to limit its exposure on foreign currency receivables. As at the balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amount and maturity:-

	Currency	Maturity within three to twelve months
As at 31 August 2006		RM
Forward contracts used to hedge sales	United States Dollar	25,522,688

		Maturity within one to twelve months
As at 31 August 2005		RM
Forward contracts used to hedge sales	United States Dollar	3,018,790

The net unrecognised losses as at 31 August 2006 on forward currency contracts used to hedge anticipated sales which are expected to occur in the next twelve months amounted to RM461,943 (2005 - RM25,650) and are deferred until the related sales are transacted, at which time they are included in the measurement of such transactions.

#### (b) Credit risk

The Group manages credit risk by setting credit limits and ensuring that sales of goods are made to customers with an appropriate credit history. Trade receivables are monitored on a regular and ongoing basis for irregularities.

At balance sheet date, the Group is exposed to significant concentration of credit risk on trade debts relating to three (3) major customers which account for 15% of its total trade debts as of 31 August 2006.

#### (c) Interest rate risk

The Group's policy is to borrow principally on a floating rate basis but to retain a proportion of fixed rate debts. The objectives for the mix between fixed and floating rate borrowings are to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

#### (d) Liquidity and cash flow risks

The Group seeks to achieve a balance between certainty of funding and a flexible, cost-effective borrowing structure. The policy, therefore, seeks to ensure that at a minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturities is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.



# LIST OF PROPERTIES

owned by the Group

The Group's policy on revaluation of landed properties is stated in note 3(f) and 3(h) to the Financial Statements

Registered Owner/ Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2006 (RM'000)
<b>Freehold Land and Buildings</b>					
<b>UDT</b>					
28, Jalan Nilam 1/3, Subang Hi-Tech Industrial Park, 40000 Shah Alam (P.T.14874 H.S. (M) 7979 and P.T. 14875 H.S. (M) 7980, Mukim of Damansara, District of Petaling), Selangor (at valuation - RM670,000 on 25.11.2004)	1 1/2 storey shophouse/rented/None	372 sq.m./ 487.74 sq.m.	10	Freehold	710
18, Jalan Seroja 39, Taman Johor Jaya, 81100 (PTD 64004 H.S. (D) 101470, Mukim of Plentong), District of Johor Bahru, Johor	Double storey terrace workshop UDT warehouse and office/If the land is transferred to a Bumiputra, it cannot be sold, transferred or charged to a non-Bumiputra later without prior approval from the relevant authorities.	990.90 sq.m./ 309.19 sq.m.	12	Freehold	1,247
Lot 4038, Jalan Parit Bakar 1, Taman Parit Bakar, Jalan Temenggong Ahmad 84010 Muar, Johor	Double storey banglo house/Residential uses/ None	681.13 sq. m	6	Freehold	779
<b>SWS</b>					
Nos. 48-10 and 48-11, (Lot PTD Nos. 7722 & 7723, H.S.(M) 3867 & 3868), Jalan Khalidi, Mukim of Bandar, District of Muar, Johor	2 units of double storey semi-detached houses/ Residential uses/None	744.07 sq.m./ 450.78 sq.m.	4	Freehold	682
No. 116, Lorong Hang Jebat, Melaka (Lot No. 28 Grant No. 5007, Kawasan Bandar XIV, Melaka Tengah)	2 1/2 storey shophouse/ vacant/None	237.55 sq.m/ 657.28 sq.m	22	Freehold	352
<b>SI</b>					
No. 10, (PTD No. 4085, H.S.(D) 22978), Kawasan Perindustrian Parit Jamil, Parit Jawa, Mukim of Sri Menanti, District of Muar, 84150 Johor	Industrial land/SWS - sofas manufacturing factory/ The land cannot be transferred unless the factory building has been constructed as according to the plan as approved by the relevant authorities.	16,839.80 sq.m/ 12,824.35 sq.m	4	Freehold	7,021

## LIST OF PROPERTIES CONTINUED

Registered Owner/ Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2006 (RM'000)
<b><u>Freehold Land</u></b>					
<b><u>UDI</u></b>					
Lot 4304 GM 1291, Mukim of Pt Bakar District of Muar, Johor (located along the 3rd milestone of Jalan Temenggong Ahmad, the interior trunk road linking Muar to Parit Jawa and Batu Pahat) (at valuation - RM270,000 on 09.12.2004)	Agriculture land/Vacant (Investment property)/None	0.2479 ha. (0.61 acres)	N/A	Freehold	270
Lot 149 (CT 16396), Lot 151 (CT 16398) and Lot 152 (CT 16399), Mukim of Parit Jawa District of Muar, Johor * (located about 2.3 kilometres off the northern side of the Muar/ Bukit Bakri-Yong Peng main road, at about 9 kilometres east of Pekan Bukit Bakri and approximately 20 kilometres south-east of Muar town centre)	Agriculture land/Vacant/None	11.314 ha. (27.96 acres)	N/A	Freehold	1,697
<b><u>SWS</u></b>					
Lot No. 1420 GM 848, Mukim of Sungai Raya, District of Muar, Johor (located along the north-western side of Jalan Raja, Bukit Pasir, Muar, Johor	Agriculture land/Homestead use/ None	0.5741 ha (1.42 acres)/ 205.14 sq.m	N/A	Freehold	300
<b><u>ORI</u></b>					
Lot PTD 4084, H.S.(D) 22977, Kawasan Perindustrian Parit Jamil Phase I (1), Parit Jawa, Mukim of Sri Menanti, District of Muar, Johor * (located in Phase II (2) of the Kawasan Perindustrian Parit Jamil, Muar, Johor)	Industrial land/Vacant/The land cannot be transferred unless the factory building has been constructed as according to the plan as approved by the relevant authorities.	1.6840 ha (4.1612 acres)	N/A	Freehold	4,556
<b><u>UDT</u></b>					
Lot 1794 GM 348, Mukim of Sungai Raya District of Muar, Johor (located with common frontage onto the south side of the metalled single carriageway of Jalan Kampong Raja, about 4 kilometres northwest of the smallish local centre of Bukit Pasir town, and at a point 450 metres east of the well- developed yet established Bukit Pasir Industrial Estate) (at valuation - RM640,000 on 25.11.2004)	Industrial land/Rented/None	1.0117 ha (2.5000 acres)	N/A	Freehold	640

## LIST OF PROPERTIES CONTINUED

Registered Owner/ Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2006 (RM'000)
<b><u>Freehold Land (Cont'd)</u></b>					
Lot 2312 GM 1935, Mukim of Sungai Raya District of Muar, Johor (located with common frontage onto the south side of the metalled single carriageway of Jalan Kampong Raja, about 4 kilometres northwest of the smallish local centre of Bukit Pasir town, and at a point 450 metres east of the well-developed yet established Bukit Pasir Industrial Estate)	Industrial land/Vacant/None	1.4164 ha (3.5000 acres)	N/A	Freehold	1,053
<b><u>Leasehold Land and Buildings</u></b>					
<b><u>UDI</u></b>					
(the land is registered in the name of UDT) PTD 6001, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Muar (Lot 8791 PN 9614 (formerly known as Lot No. 8791 H.S. (D) 21087), Mukim of Jalan Bakri, District of Muar), Johor	Leasehold land/ Office, store and factory/The land cannot be sold,transferred or charged without prior approval from relevant authorities	10,056 sq. m/ 4,389.58 sq. m	9	Leasehold 99 years (expiring on 29-12-2094)	2,965
<b><u>UDP</u></b>					
Lot 171, Jalan Tiga, Kompleks Perabut Olak Lempit, 42700 Banting, Selangor Lot PTD 4081 H.S.(M) 5751, Mukim of Tajung Dua Belas, Olak Lempik, District of Kuala Langat, Selangor	Leasehold land/ Office, store and factory/The land cannot be sold, transferred or charged without prior approval from relevant authorities	4,047 sq. m	7	Leasehold (expiring on 26-09-2087)	1,359
Lot 8792, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Muar (formerly known as PTD 6002, H.S. (D) 21088), Mukim of Jalan Bakri, District of Muar), Johor	Leasehold land/store./The land cannot be sold, transferred or charged without prior approval from relevant authorities	2,321 sq.m	2	Leasehold (expiring on 29-12-2094)	1,217
<b><u>UDW</u></b>					
(the land is registered in the name of UDT) Lot 8784, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Muar (Lot 8784 PN9607 (formerly known as PTD 5994 H.S.(D) 21080), Mukim of Jalan Bakri, District of Muar), Johor	Leasehold land/Factory/ The land cannot be sold, transferred or charged without prior approval from relevant authorities	5502 sq. m/ 3,231 sq. m	3	Leasehold 99 years (expiring on 29-12-2094)	3,368

## LIST OF PROPERTIES CONTINUED

Registered Owner/ Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2006 (RM'000)
<b><u>Leasehold Land and Buildings (Cont'd)</u></b>					
<b><u>UDP</u></b>					
(the land is registered in the name of EGT)* Lot 8800, Jalan Perindustrian 5, Kawasan Perusahaan Bukit Bakri, Batu 8, 84200 (PN9624 H.S.(D) 21098, Mukim of Jalan Bakri) District of Muar, Johor	Office/factory/The land cannot be sold, transferred or charged without prior approval from relevant authorities	8,217 sq. m/ 5,128 sq. m	3	Leasehold (expiring on 29-12-2094)	3,014
<b><u>Freehold Land</u></b>					
<b><u>SWS</u></b>					
Lot 127, Lok Kawi Kinarut Industrial Estate Phase 1, District of Penampang, Kota Kinabalu, Sabah	Industrial Land & Building/ Vacant/Nil	1,538 sq. m	12	Leasehold 60 years (expiring on 31-12-2042)	622
<b><u>Leasehold Land</u></b>					
<b><u>UDT</u></b>					
P.T. 178 H.S.(D) 3905 and P.T. 250 H.S.(D) 3977 and P.T. 251 H.S.(D) 3978, Mukim of Pegoh, District of Melaka # (located within Alor Gajah, A' Famosa Golf Resort, which lies on the southern side of the Tampin/Pulau Sebang to Simpang Ampat road, at approximately 7 kilometres south-west and 3 kilometres north-east of Pekan Tampin and Simpang Ampat Village centre respectively and about 34 kilometres north/north-east of the Melaka town centre) (at valuation - RM635,000 on 30.11.2004)	Residential land/Vacant (Investment Property)/ The land cannot be transferred or charged without prior approval from relevant authorities except from the developer to the first purchaser	2,986 sq. m	N/A	Leasehold 99 years (expiring on 18-12-2094)	635
<b><u>Condominium/Apartment</u></b>					
<b><u>UDT</u></b>					
Ruby 07-07, 7th Floor, Sg Abong Condominium District of Muar, Johor ^ (Lot 4219 Geran 55495, Bandar Maharani, Muar) (at valuation - RM180,000 on 25.11.2004)	Condominium/Vacant (Investment property)/None	113.156 sq. m	6	Freehold	180
<b>Grand total</b>					<b>32,667</b>

# ANALYSIS OF SHAREHOLDINGS

as at 29 December 2006

## THIRTY LARGEST SECURITIES ACCOUNT - SHAREHOLDERS AS AT 29 DECEMBER 2006

No	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON (SFC)	16,745,218	13.24
2	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD	8,301,676	6.56
3	NEO TIAM HOCK	5,086,896	4.02
4	NEO CHEE KIAT	3,858,210	3.05
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PERINDASTRIAN MADAH SDN BHD	3,825,058	3.02
6	NG SEY WEE @ ANG SEH WEE	2,460,510	1.94
7	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	2,265,869	1.79
8	PI SIU CHAN @ PEE KOON FOOI	1,905,228	1.51
9	EONCAP SECURITIES SDN BHD	1,739,770	1.38
10	NG AH LEET @ AH HEET	1,737,894	1.37
11	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR NEO CHEE KIAT	1,500,000	1.19
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	1,500,000	1.19
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (471821)	1,422,100	1.12
14	TSAI, MING-FANG	1,285,938	1.02
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON (473933)	1,250,100	0.99
16	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR NEO TIAM HOCK	1,250,000	0.99
17	LIM BAK JONG	1,230,050	0.97
18	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KENANGA ARIFF SDN BHD	1,158,342	0.92
19	CHUA LEE SENG	887,368	0.70
20	TAN KIM POO	755,844	0.60
21	KOH CHOON SENG	740,782	0.59
22	NEO CHEE HOW	739,154	0.58
23	LOW SEAI HOON	729,500	0.58
24	NEO CHEE HSIAN	724,154	0.57
25	TEE GEE SIA	723,150	0.57
26	KOO KEK	627,050	0.50
27	KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HOO WAN FATT	555,000	0.44
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE MOOI KOOI (AAA)	541,100	0.43
29	ONG YAW SENG	535,800	0.42
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AH LEET @ AH HEET (E-TSA)	528,600	0.42

## ANALYSIS OF SHAREHOLDINGS CONTINUED

as at 29 December 2006

### THIRTY LARGEST SECURITIES ACCOUNT - WARRANTHOLDERS AS AT 29 DECEMBER 2006

No	Name of Warrantholders	No. of Warrants Held	% of Issued Warrants
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD	4,150,838	19.69
2	FRANCIS CHAI KIM LUNG	900,000	4.27
3	EONCAP SECURITIES SDN BHD	869,885	4.13
4	BO ENG CHEE	860,200	4.08
5	WONG YOON TIAM	600,000	2.85
6	TEE GEE SIA	582,175	2.76
7	NEO TIAM HOCK	431,149	2.04
8	LIEW HIN CHOY	350,000	1.66
9	PHNUAH FARN FARN	298,100	1.41
10	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ON BOON KAI	230,500	1.09
11	NEO CHEE KIAT	226,368	1.07
12	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ON BOON KAI	219,500	1.04
13	CHING KEAN LAM	216,900	1.03
14	LEE SOON FAH	200,100	0.95
15	BADRUL ZAMAN BIN ABDULLAH	200,000	0.95
16	CHOP CHEONG BEE SDN BHD	200,000	0.95
17	LIM MUI LIANG	200,000	0.95
18	SIVARAJAH ARASU A/L THIRUNAVUK ARASU	200,000	0.95
19	TENG HOCK HENG	194,300	0.92
20	PHNUAH FARN FARN	186,800	0.89
21	ZHAHIR HUSSAIN BIN SHAMSUDIN	183,000	0.87
22	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	156,778	0.74
23	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHENG MIOW HEN	150,000	0.71
24	GOH CHUO CHAI	150,000	0.71
25	LEONG MEE WAN	150,000	0.71
26	LEW SHEE KOU	150,000	0.71
27	TING BEE TOO	145,025	0.69
28	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR NEO CHEE KIAT	135,000	0.64
29	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR NEO TIAM HOCK	125,000	0.59
30	KOH THIN MIN	112,000	0.53

## ANALYSIS OF SHAREHOLDINGS CONTINUED

as at 29 December 2006

### DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 29 DECEMBER 2006

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100 shares	10	0.33	294	0.00
100 to 1,000 shares	320	10.72	295,766	0.23
1,001 to 10,000 shares	1,657	55.49	8,941,630	7.07
10,001 to 100,000 shares	872	29.20	29,663,290	23.45
100,001 to less than 5% of issued shares	125	4.19	62,557,626	49.45
5% and above of issued shares	2	0.07	25,046,894	19.80
<b>Total</b>	<b>2,986</b>	<b>100.00</b>	<b>126,505,500</b>	<b>100.00</b>

### DISTRIBUTION SCHEDULE OF WARRANTHOLDINGS AS AT 29 DECEMBER 2006

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants	% of Issued Warrants
Less than 100 warrants	25	3.58	1,227	0.01
100 to 1,000 warrants	214	30.66	105,360	0.50
1,001 to 10,000 warrants	239	34.24	1,263,700	5.99
10,001 to 100,000 warrants	188	26.93	6,732,320	31.93
100,001 to less than 5% of issued warrants	31	4.44	8,830,805	41.88
5% and above of issued warrants	1	0.14	4,150,838	19.69
<b>Total</b>	<b>698</b>	<b>100.00</b>	<b>21,084,250</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS

(Based on the Register of Substantial Shareholders)

Name of Shareholders	No. of Direct Shares Held	% of Issued Share Capital
Dato' Koh Low @ Koh Kim Toon	22,251,482	17.59
Malaysian International Merchant Bankers Berhad	8,301,676	6.56
Neo Tiam Lock	6,336,896	5.01

### DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

Name of Directors	No. of Direct Shares Held	% of Issued Share Capital
Dato' Koh Low @ Koh Kim Toon	22,251,482	17.59
Neo Tiam Lock	6,336,896	5.01
Neo Chee Kiat	5,858,210	4.63
Ng Sey Wee @ Ang Seh Wee	2,460,510	1.94
Ng Ah Leet @ Ah Heet	2,266,494	1.79
Dato' Tan King Tai @ Tan Khoon Hai	1,864,720	1.47
Khairilnuar Bin Abdul Rahman	60,000	0.05
Teh Eng Aun	nil	0.00
Hj Ismail bin Tunggak @ Hj Ahmad	nil	0.00

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Seventh (7th) Annual General Meeting of UDS Capital Berhad (Company No. 502246-P) will be held at PTD 6001, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Batu 8, 84200 Muar, Johor Darul Takzim on Wednesday, 14th day of February, 2007 at 11.00 a.m. for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the audited financial statements for the year ended 31 August 2006 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect Directors retiring under the Company's Articles of Association
  - (a) Neo Tiam Hock (Article 91) **(Resolution 2)**
  - (b) Ng Sey Wee @ Ang Seh Wee (Article 91) **(Resolution 3)**
  - (c) Teh Eng Aun (Article 91) **(Resolution 4)**
  - (d) Ng Ah Leet @ Ah Heet (Article 96) **(Resolution 5)**
3. To re-appoint Messrs. John Lim & Associates as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

### AS SPECIAL BUSINESS

4. To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:-

#### **Authority to Issue Shares**

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company".

**(Resolution 7)**

5. "THAT pursuant to the Company's Employees' Share Option Scheme ("the ESOS") as approved at the Extraordinary General Meeting of the Company held on 25 August 2004, the Directors of the Company be and are hereby authorised, in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the ESOS". **(Resolution 8)**
6. To consider any other business for which due notice shall have been given in accordance with the Companies Act, 1965.



## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

By Order of the Board

Tan Wang Giap (MACS 00523)  
Secretary

Muar, Johor Darul Takzim  
23 January 2007

### Notes:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportions of this holding to be represented by each proxy.
3. The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.
4. To be valid the proxy form must be duly completed and deposited at the registered office of the Company, No. 67, 2nd Floor, Room B, Jalan Ali, 84000 Muar, Johor, not less than forty eight (48) hours before the time for holding the meeting.

### Explanatory Notes on Special Business

5. The Ordinary Resolution 7, if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purpose as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.
6. The Ordinary Resolution 8, if passed, will enable the Directors of the Company, from the date of the General Meeting, to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Employees' Share Option Scheme. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Securities)

1. The Directors who are standing for re-election pursuant to the Company's Articles of Association are as follows:-

Neo Tiam Hock	(Article 91)
Ng Sey Wee @ Ang Seh Wee	(Article 91)
Teh Eng Aun	(Article 91)
Ng Ah Leet @ Ah Heet	(Article 96)

2. Details of attendance of Directors at the Board of Directors' Meeting:

Five (5) Board of Directors' Meeting were held during the financial year from 1st September, 2005 to 31st August, 2006. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follows:-

Name	No. of Meeting attended
Dato' Koh Low @ Koh Kim Toon	4/5
Neo Chee Kiat	5/5
Dato' Tan King Tai @ Tan Khoon Hai	5/5
Neo Tiam Hock	5/5
Ng Sey Wee @ Ang Seh Wee	5/5
Teh Eng Aun	5/5
Khairiluanar Bin Abdul Rahman	3/5
Hj Ismail Bin Tunggak @ Hj Ahmad	5/5
Ng Ah Leet @ Ah Heet (appointed on 1 March 2006)	2/2

3. Venue, date and time of the Board of Directors' Meeting:-

All five (5) Board of Directors' Meeting held during the financial year ended 31st August, 2006 took place at PTD 6001, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Batu 8, 84200 Muar, Johor Darul Takzim.

Date of Meeting	Time
28 October 2005	2.45 p.m.
26 January 2006	2.15 p.m.
16 February 2006	11.35 a.m.
27 April 2006	2.05 p.m.
27 July 2006	2.00 p.m.

4. Details of the profile of directors who are standing for re-election are set out in the Directors' Profile on pages 9 to 10 of the Annual Report.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING CONTINUED

5. None of the directors have any conflict of interest in the Company.
6. None of the directors have been convicted for offences within the past ten (10) years other than traffic offences, if any.
7. None of the directors hold any directorship in any public listed company other than Dato' Koh Low @ Koh Kim Toon is a director of Emivest Berhad, Dato' Tan King Tai @ Tan Khoon Hai is a director of Pensonic Holdings Berhad and Unimech Group Berhad while En. Khairilnuar Bin Abdul Rahman is a director of Pensonic Holdings Berhad and Denko Industrial Corporation Berhad.
8. Date, time and place of the Annual General Meeting

Date	:	14 February 2007
Time	:	11.00 a.m.
Venue	:	PTD 6001, Jalan Perindustrian 5 Kawasan Perindustrian Bukit Bakri Batu 8, 84200 Muar Johor Darul Takzim

# PROXY FORM



**UDS CAPITAL BERHAD**  
(Company No. 502246-P)

(Incorporated in Malaysia under the Companies Act, 1965)

No of Ordinary Shares Held

I/We \_\_\_\_\_ (Full Name in Block Letters)

of \_\_\_\_\_ (Address)

being a Member/Members of the above named company hereby appoint the Chairman of the meeting or appoint

\_\_\_\_\_ (Full Name in Block Letters)

of \_\_\_\_\_ (Address)

or failing him, \_\_\_\_\_ (Full Name in Block Letters)

of \_\_\_\_\_ (Address)

as \*my/our proxy/proxies to attend and vote for \*me/us and on \*my/our behalf at the Seventh Annual General Meeting of the Company, to be held at PTD 6001, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Batu 8, 84200 Muar, Johor on Wednesday, 14th day of February, 2007, at 11.00 a.m. and, at every adjournment thereof to vote as indicated below:-

Resolution		For	Against
To receive the audited financial statements for the year ended 31 August 2006 and the Reports of the Directors and Auditors thereon.	<b>Resolution 1</b>		
To re-elect Directors retiring under the Company's Articles of Association:- (a) Neo Tiam Hock (Article 91) (b) Ng Sey Wee @ Ang Seh Wee (Article 91) (c) Teh Eng Aun (Article 91) (d) Ng Ah Leet @ Ah Heet (Article 96)	<b>Resolution 2</b> <b>Resolution 3</b> <b>Resolution 4</b> <b>Resolution 5</b>		
To re-appoint Messrs. John Lim & Associates as auditors of the Company and to authorise the Directors to fix their remuneration.	<b>Resolution 6</b>		
To empower the Directors to issue & allot shares up to 10% of the issued share capital of the Company.	<b>Resolution 7</b>		
To empower the Directors to issue & allot shares in connection with the ESOS	<b>Resolution 8</b>		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

The proportions of my holding to be represented by my proxy/proxies are as follows:-

First named Proxy	%
Second named Proxy	%
	100 %

In case of a vote taken by a show of hands, the First Proxy shall vote on \*my/our behalf.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
Signature of Shareholder or Common Seal

\* Strike out whichever is not desired

**Notes:-**

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportions of this holding to be represented by each proxy.
3. The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.
4. To be valid the proxy form must be duly completed and deposited at the registered office of the Company, No. 67, 2nd Floor, Room B, Jalan Ali, 84000 Muar, Johor, not less than forty eight (48) hours before the time for holding the meeting.

FOLD THIS FLAP FOR SEALING

FOLD HERE

STAMP



**UDS CAPITAL BERHAD**  
(502246-P)

THE SECRETARY  
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