



UDS CAPITAL BERHAD 502246-P

strengthening the
foundation for
growth





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Strengthening the foundation for growth

Never losing sight of our vision, we continue to remain competitive through quality, reliability, teamwork and efficiency. As we build on our strengths and improve our weaknesses, we are focusing on future opportunities that will propel us towards greater success.

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 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

Public Bank Berhad

AmBank (M) Berhad

OCBC Bank (M) Berhad

SOLICITORS

Chris Lee & Partners

NC Ho & Company

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

* resigned from the audit committee member on 1 Nov 2007

CORPORATE STRUCTURE



100%

SYARIKAT U.D. TRADING SDN. BHD.
("UDT") (85023-X)

51%

SYARIKAT U.D. TRADING CORPORATION SDN. BHD.
("UDTC") (737454-A)

99.42%

U.D. INDUSTRIES SDN. BHD.
("UDI") (192321-U)

100%

U.D. PANELFORM SDN. BHD.
("UDP") (120394-P)

100%

EVERGREEN TREND SDN. BHD. ("EGT") (493848-U)

100%

U.D. WOOD PRODUCTS SDN. BHD. ("UDW") (402592-K)

100%

SIN WEE SENG INDUSTRIES SDN. BHD. ("SWS") (345865-A)

100%

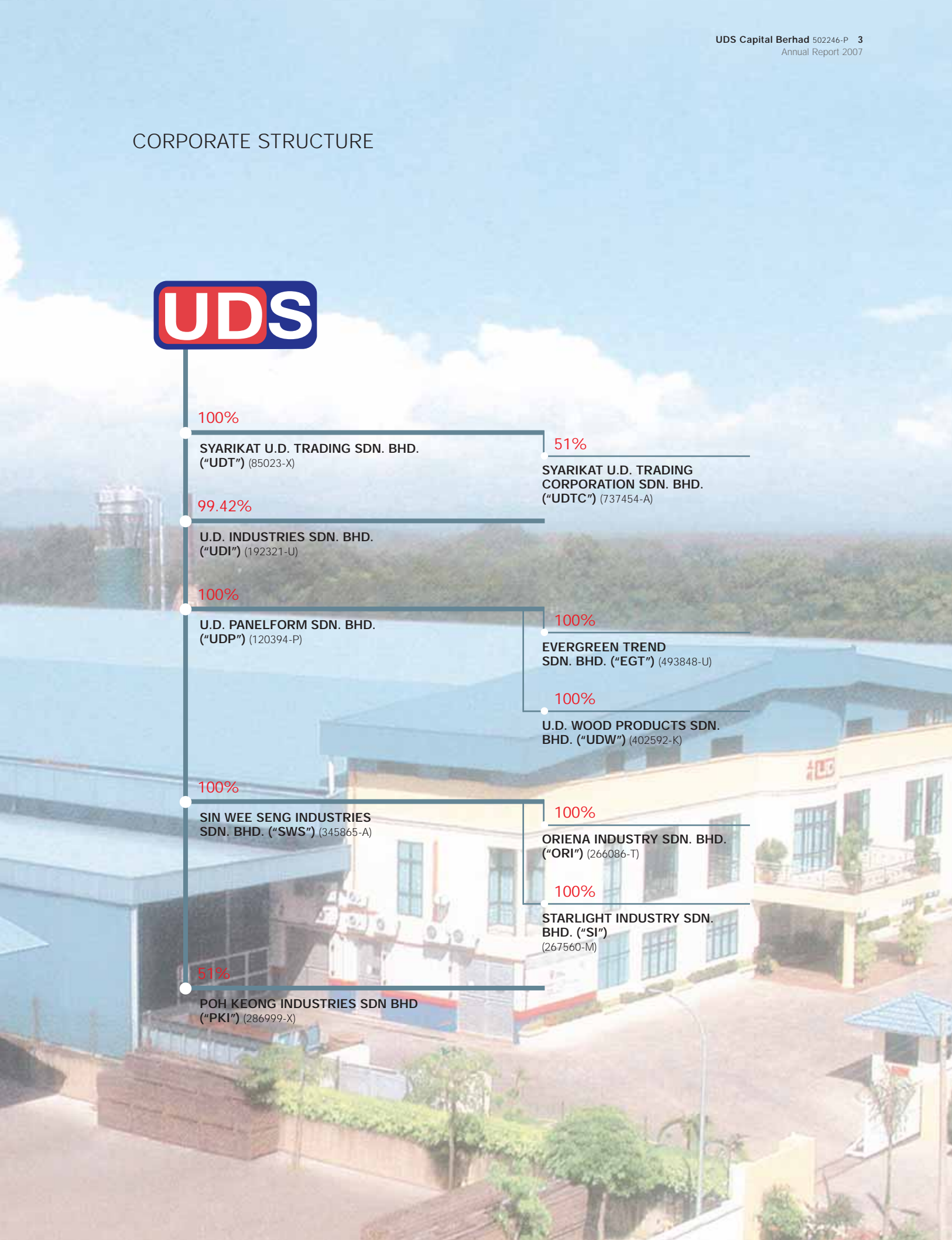
ORIANA INDUSTRY SDN. BHD. ("ORI") (266086-T)

100%

STARLIGHT INDUSTRY SDN. BHD. ("SI") (267560-M)

51%

POH KEONG INDUSTRIES SDN BHD ("PKI") (286999-X)





Chairman's Statement

Dato' Koh Low @ Koh Kim Toon
Group Executive Chairman

On behalf of the Board of Directors ("the Board") of the UDS Capital Berhad ("UDS"), 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 2007.

CORPORATE AND OPERATIONAL REVIEW

The Malaysian economy continued to be on a steady growth path, with real GDP growth inched up to 5.7% in the second quarter of 2007 from 5.5% growth in the first quarter, bringing the average first-half growth to 5.6%. Although output of export-oriented industries declined during the quarter, weighted down mainly by the weakness in the electronics and electrical industry, the manufacturing sector continued to record positive growth of 1.5% during the quarter.

During the current financial year under review, UDS Group of Companies ("the Group") carried out internal restructuring necessary to reinforce the Group as a manufacturing oriented Company that emphasizes the basics of manufacturing. We have successfully integrated the whole manufacturing and marketing of furniture and lamination process under one roof while the veneering process was stand alone by itself. This has brought about increased efficiency in the smooth flow of raw material, parts and finished goods. Our efforts proved to be fruitful. It has brought numerous positive results such as better parts and product quality management, more transparent processes, improved communication, productivity improvement and reducing the inter-company transactions.

PERFORMANCE AND FINANCIAL REVIEW

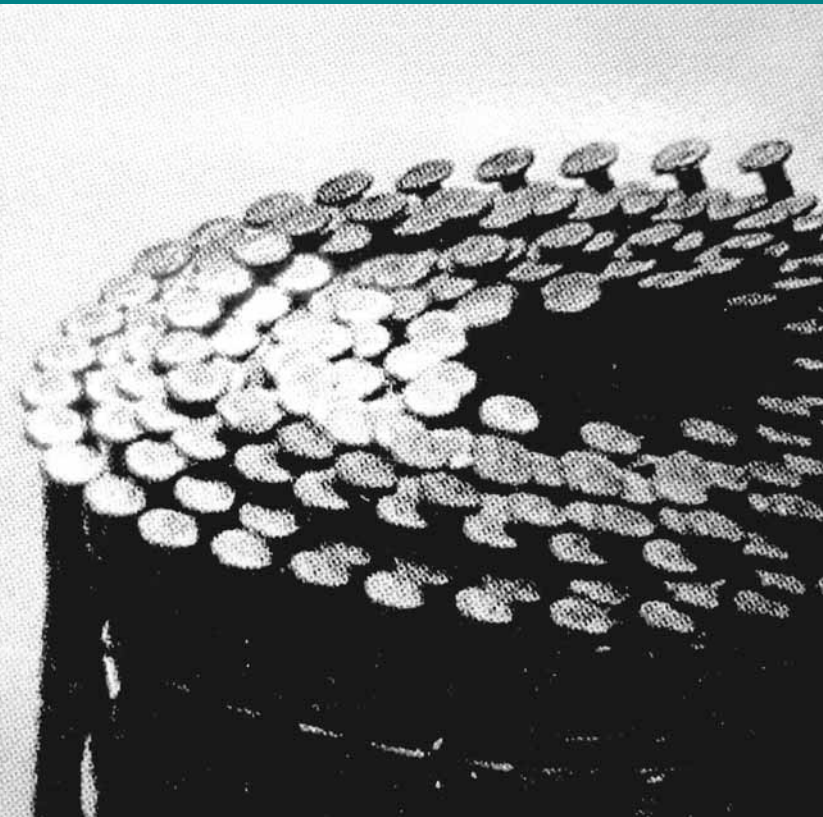
The Group's effort in continuing to seek new targets in the furniture industry for potential merger and acquisition finally paid off. The Group has completed the acquisition of 51% equity interest in Poh Keong Industries Sdn. Bhd. for RM2.7 mil on 9 Oct 2006. This has partly improved the Group turnover to RM135.9 mil in FY2007 compared with RM116.1 mil in FY2006.



reliability

... better parts and product quality management, more transparent processes, improved communication and productivity improvement ...





The cost cutting measures implemented by the Group have shown results notwithstanding escalating raw material prices and strengthening of the Ringgit against the US Dollar.

innovation





Despite the challenging environment, the Group gross profit increased more than double to above RM17 mil from RM7.5 mil in the preceding year. The substantial improvement was attributed both to the finalization of housekeeping inventory exercise in the previous year and the Group's effort to reduce costs and improve manufacturing efficiency as mentioned above. The cost cutting measures implemented by the Group have shown results notwithstanding escalating raw material prices and strengthening of the Ringgit against the US Dollar.

In line with the improved gross margin, loss before taxation had reduced substantially to RM2.1 mil as compared to RM9.2 mil in the previous year. We have to be realistic about the issues we still have to face. We continue to face short-term challenges, especially the competition from low-cost manufacturing plants overseas, Ringgit appreciation and rising raw material costs. We are also mindful that our internal restructuring has merely completed in the last quarter of the current financial year.

DIVIDENDS

Meanwhile, loss for the period reduced to RM2.5 mil in the current financial year as compared to RM9.5 mil loss in the previous financial year.

The Board does not recommend any payment of dividends in respect of the financial year ended 31 August 2007.

PROSPECTS

The Malaysian government expansionary fiscal policy of the Ninth Malaysian Plan augurs well for the entire Malaysian economy. Specially, the upcoming Iskandar



Development Region in Johor and the Northern Corridor Economic Region in the North are likely to attract massive amounts of local and foreign investments as well as spur developmental activities, which in turn, would contribute positively to our business.

Nevertheless, we did not discount the global economic factor. Global economic growth is expected to moderate this year amidst weaker growth forecast for the US economy. The IMF has revised its US forecast to a slower 1.9% growth in 2008 from an earlier prediction of 2.8%. Europe's economic fundamentals are strong and this will help it weather the negative effects of the US sub-prime woes. However, it is expected to decelerate to 2.1% growth in 2008 (from 2.5% in 2007) owing to the stronger Euro and the lag effect of higher interest rate. The Japanese economy has retreated, due to weaker consumer spending and exports. The yen carry trade is posing another challenge to growth prospects. The surge in oil prices is another threat that could undermine global growth.

Going forward, we believe more work needs to be done in our trading division. We are working to iron out some of these kinks through 2008. We will stay focus on what we are specializing on. Despite weakening global economic indicators, we are confident that with a clear strategy for

CHAIRMAN'S STATEMENT (CONT'D)

growth, profit maximization and product differentiation, as well as keeping a close eye on managing efficiencies and costs, we will be able to reach the end of the tunnel.

APPRECIATION

On behalf of the Board, I wish to express our sincere gratitude and appreciation to our management team and employees who have contributed significantly to the performance of the Group.

We also appreciate the longstanding support, co-operation and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities. To our business partners, we express our gratitude for your support, without which, the Group would not have been able to achieve its success.

To all shareholders, I ask that you continue to believe in UDS. We will have good times ahead, and we ask that you be patient, and stay on course with us. I assure you that making higher returns and better value are our biggest priority in coming years.

To my fellow directors, I extend my appreciation for your valuable advice and contribution throughout the year and I look forward to your continued dedication support and co-operation in the coming years.

Y.Bhg. Dato' Koh Kim Toon

Group Executive Chairman

31 December 2007



DIRECTORS' PROFILE

Dato' Koh Low @ Koh Kim Toon Executive Chairman

Aged 55, a Malaysian, was appointed as the Executive Chairman of UDS since 30 November 2003. He is the founder of the UDT and is presently the Managing Director of UDI, UDP, UDW and EGT. He has more than 24 years of experience and expertise in the furniture industry. His vision and stewardship over the past 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 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 Bursa Malaysia Securities Berhad ("BMSB") and a few other private limited companies. Dato' Koh Low @ Koh Kim Toon is a brother-in-law of Mr. Ng Ah Leet @ Ah Heet.

Neo Chee Kiat Managing Director

Aged 37, a Malaysian, was appointed as the Managing Director of UDS since 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 18 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 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 who is also a major shareholder of the Company.

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

Aged 52, a Malaysian, was appointed as the Executive Director of UDS since 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 28 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 Directors or major shareholders of the Company.

Neo Tiam Hock Executive Director

Aged 61, a Malaysian, was appointed as the Executive Director of UDS since 30 November 2003. He is the founder of SWS. He has more than 42 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 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.

DIRECTORS' PROFILE (CONT'D)

Ng Sey Wee @ Ang Seh Wee

Executive Director

Aged 61, a Malaysian, was appointed as the Executive Director of UDS since 30 November 2003. He has approximately 12 years of working experience in the furniture industry and is involved in the daily operation of the wood-based furniture, fixture and accessories division of the 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 Directors or major shareholders of the Company.

Teh Eng Aun

Independent Non-Executive Director

Aged 56, 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 InterPacific Securities Sdn Bhd as a remisier. He has over 23 years of experience in corporate consultancy, financial management and auditing. He is

presently a 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 Directors or major shareholders of the Company.

Khairilnuar Bin Abdul Rahman

Independent Non-Executive Director

Aged 42, a Malaysian, was appointed as the Independent Non-Executive Director of UDS since 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 sits on the board of Pensonic Holdings Berhad which is 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 Directors or major shareholders of the Company.

Hj Ismail Bin Tunggak @ Hj Ahmad

Independent Non-Executive Director

Aged 57, a Malaysian, was appointed as the Independent Non-Executive Director of UDS since 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 2002 before holding the post of Penghulu of Mukim Parit Bakar since 2002. He is also a committee member of several government agencies. He has no family relationship with any other Directors or major shareholders of the Company.

Ng Ah Leet @ Ah Heet

Non-Independent

Non-Executive Director

Aged 59, a Malaysian, was appointed as the Non-Independent Non-Executive Director of UDS since 1 March 2006. He has approximately 31 years experience in marketing and administrative experience in motor vehicles business as well as in plastic industry. He sits on the board of few other private limited companies. Mr. Ng Ah Leet is a brother-in-law of Dato' Koh Low @ Koh Kim Toon who is also a major shareholder of the Company.

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.

STATEMENT OF CORPORATE GOVERNANCE

The Board of the Company recognizes that the practice of good corporate governance in conducting the business and affairs of the Group with integrity, transparency and professionalism are key components for the Group's continuing growth and success. These will not only safeguard and enhance shareholders' value but will at the same time ensure that the interests of other stakeholders are protected.

The Board, to the best of their knowledge, confirms that the Company has applied the Principles as set out in part 1 and complied with the Best Practices as set out in part 2 of the Malaysian Code on Corporate Governance ("the Code") throughout the financial year ended 31 August 2007.

DIRECTORS

1) The Board and Board Balance

The Board consists of nine members comprising five executive directors and four non-executive directors. Three of the nine directors are independent directors. The Board has complied the Listing Requirements of the BMSB that at least two or one-third of the Board, whichever is higher, is independent directors.

To ensure that there is balance of power and authority, the Chairman is primarily responsible for the orderly conduct and effectiveness of the Board whilst the Managing Director and Executive Directors are responsible for the operating units, organizational effectiveness and implementation of Board policies and decisions.

In accordance with the requirements of the Code, the Chairman of the Audit Committee has been appointed as the Independent Non-Executive Director to deal with issues regarding the Company where the same may not be appropriately dealt with by the Company. The role of the Independent Non-Executive Directors are particularly important as they provide robust and independent view, advice and true and fair judgement which take into account the long term interest, not only of the Group but also for shareholders, employees and other stakeholders of the Company.

2) Attendance at Meetings

The Board held a total of four meetings during the financial year. The details of attendance are as follows:-

Director	Attendance
Executive Directors	
Dato' Koh Low @ Koh Kim Toon	4 of 4
Mr. Neo Chee Kiat	4 of 4
Dato' Tan King Tai @ Tan Khoon Hai	4 of 4
Mr. Neo Tiam Hock	3 of 4
Mr. Ng Sey Wee @ Ang Seh Wee	3 of 4
Non-Executive Directors	
Mr. Teh Eng Aun	3 of 4
En. Khairilnuar Bin Abdul Rahman	3 of 4
Hj Ismail Bin Tunggak @ Hj Ahmad	4 of 4
Mr. Ng Ah Leet @ Ah Heet	3 of 4

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

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

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 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 years in compliance with the Code.

5) Directors' Training

The Board oversees the training needs of its Directors. Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Group's operating centers to have an insight on the operations which would assist the Board to make effective decisions. All Board members have attended and completed the Mandatory Accreditation Programme ("MAP") as required by the BMSB. Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates, in order to fulfill their duties as Directors.

6) Nomination Committee

In compliance with the Listing Requirements, a Nomination Committee was established by the Board on 25 October 2004, comprising two 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.

7) Remuneration Committee

In compliance with the Listing Requirements of BMSB, the Board established a Remuneration Committee on 25 October 2004, comprising two 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 abstain from discussion of their own remuneration.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

The members are:

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

8) Employees' Share Option Scheme ("ESOS") Committee

ESOS Committee was established by the Board on 25 August 2004, comprising four senior executive staff and one Executive Director.

The members are:

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

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

- To administer the ESOS and to grant options in accordance with the Bye-Laws.
- To recommend to the Board to establish, amend, and revoke Bye-Laws, rules and regulations to facilitate the implementation of the ESOS.
- To construe and interpret the provisions hereof in the best interest of the Company.
- 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 terms of reference is set out on page 15 to 17 of this annual report.

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 upon recommendation from the Remuneration Committee 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 under review are disclosed in Note 24 (b) of the Notes to the Financial Statement herein.

RELATIONSHIP WITH SHAREHOLDERS

The Group recognizes the importance of keeping shareholders and investors informed of the Group's business and corporate developments. Such information is disseminated via annual reports, quarterly financial results, circulars to shareholders and the various announcements released from time to time.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

The AGM is the principal forum for dialogue with shareholders. Besides the usual agenda for the AGM, the Board presents the progress and performance of the business as contained in the annual report. The shareholders are presented with the opportunity to participate in question and answer sessions with the Directors. Members of the Board as well as the Auditors of the Company are present to provide responses to questions from the shareholders during these meetings.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement on the proposed resolution.

ACCOUNTABILITY AND AUDIT

1) Financial Reporting

The Board is responsible to present a balance, 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 the financial statements are prepared on a going concern basis, in accordance with MASB Approved Accounting Standards for Entities Other Than Private Entities and the provisions of the Companies Act, 1965. 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.

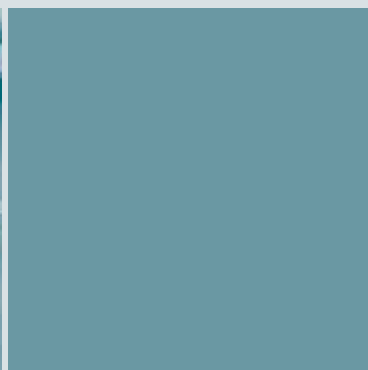
2) Internal Control

The Board acknowledges its responsibility for establishing a sound system of internal control to safeguard shareholders' investment and Group's assets, and to provide reasonable assurances on the reliability of the financial statements. In addition, equal priority is given to financial controls, operational and compliance controls as well as risk management. While the internal control system is devised to cater for particular needs of the Group and the risk, such controls by their nature can only provide reasonable assurance but not absolute assurance against unintended material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the Group. The Board reviews the adequacy and integrity of the Group's system of internal controls on a continuous basis.

3) Relationship with Auditors

The Company maintains a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.



AUDIT COMMITTEE REPORT

The Audit Committee ("the Committee") was established by the Board as the prime body to ensure a high standard of corporate responsibility, integrity and accountability to shareholders.

The members of the Committee and their respective designations who have served during the financial year ended 31 August 2007 are as follows:-

Member	Designation
Mr. Teh Eng Aun	Chairman (Independent Non-Executive Director)
En. 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)

* Resigned from the Committee member on 1 Nov 2007.

TERMS OF REFERENCE

1) Objectives

The principal objective of the Committee is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the Committee shall also oversee compliance with laws and regulations and observance of a proper code of conduct.

2) Composition

The member of the Committee shall be appointed by the Board from amongst the Directors and shall consist of not fewer than three members, of whom a majority shall be independent directors. At least one member of the Audit Committee must fulfill the Paragraph 15.10(1)(c) of the Listing Requirement of the BMSB.

The members of the 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 months.

3) Authority

The Committee is authorized by the Board to investigate any activities within its terms of reference and shall have unlimited access to external auditors as well as the employees of the Group. All employees are directed to co-operate with any request made by the Committee.

The Committee shall have the authority to obtain independent legal or other professional advice as it considers necessary.

It shall also have the power to establish Sub-Audit Committee to carry out certain investigation on behalf of the Committee and such manner, as the Committee shall deem fit and necessary.

4) Meetings

The Committee shall meet at least four times in a year, and such additional meetings as the Chairman shall decide in order to fulfill its duties.

AUDIT COMMITTEE REPORT (CONT'D)

5) Quorum

The quorum for the Committee meeting shall consist of two members of whom the majority of the members present shall be Independent Director.

6) Attendance at Meetings

The Company Secretary shall be the Secretary of the 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 Committee meetings are to be extended to the Board.

The external auditors may be invited to attend meetings. The Committee may invite any person to be in attendance to assist in its deliberations.

The Committee held a total of four meetings during the financial year under review. The details of attendance are as follows:-

Member	Attendance
Mr. Teh Eng Aun	3 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

7) Duties

The duties and responsibilities of the Committee shall be as follow 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 the Board approval, 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.
 - 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.
- Review the assistance and co-operation given by the officers of the Group to the external auditors.
- Review the allocation of ESOS to ensure that was in compliance with the allocation criteria determined by the ESOS Committee and in accordance with the Bye-Laws of the ESOS.
- Carry out any other functions as may be determined by the Board from time to time.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, the activities of the Committee included the following:-

- Review and discuss the memorandum of matters and issues raised by the 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 audit planning memorandum prepared by the external auditors covering audit objectives and approach, audit plan, key audit area and relevant technical pronouncements and accounting standards.
- Review the interim unaudited and annual audited financial statements of the Group prior to recommending for approval by the Board.
- Review and discuss the Audit Committee Report and Statement on Internal Control for inclusion in the annual report.
- Brief the Board on any major issues discussed at the 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 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.

ESOS STATEMENT

The allocation of the ESOS is disclosed in Note 14(i) of the Notes to the Financial Statement herein.

None of the Non-Executive Directors was offered/granted and exercised any options pursuant to the ESOS during the current financial year.

The Directors' options details are disclosed on page 24 of this annual report.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

In compliance with Paragraph 15.27(b) of the Listing Requirements of the BMSB and the Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by the Institute of Internal Auditors Malaysia, the Board 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 2007.

BOARD RESPONSIBILITY

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 internal control system 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.

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.

Salient features of the internal control system framework are as follows:-

- Operating procedures that set out the policies, procedures and practices adopted in the Group are properly documented and communicated to staff member so as to ensure clear accountabilities. The effectiveness of internal control procedures are subject to continuous assessments, reviews and improvements.
- The organizational structure is well defined, with clear line of responsibilities and delegation of authorities. Key responsibilities are properly segregated.
- The Board meets regularly and is kept updated on the Group's activities and operations and significant changes in the business and external environment, if any, which may result in significant risks.
- Financial results, which includes key performance indicators are reviewed quarterly by the Board and the Audit Committee.
- Executive Directors and head of departments meet regularly to discuss operational, corporate, financial and key management issues.
- Effective reporting system, which provides for a documented and auditable trail of accountability to ensure timely generation of information for management review, has been put in place.

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.

OTHER DISCLOSURE REQUIREMENTS

Utilisation of Proceeds

No proceeds were raised by the Company during the financial year.

Share Buybacks

The Company has not engaged in any share buybacks arrangement during the financial year.

Options, Warrants or Convertible Securities

The Company has not granted any options, warrants or convertible securities to any parties to take up unissued shares in the Company during the financial year other than those disclosed in the Directors' Report.

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

The Company has not sponsored any ADR or GDR programme during the financial year.

Sanctions and/or 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.

Non-Audit Fees

Non-audit fees paid to the external auditors amounting to RM54,679 during the financial year.

Variation in Results

There was no material variation between the audited results for the financial year and the unaudited results previously announced.

Profit Guarantee

There was no profit guarantees given by the company during the financial year.

Material Contracts

The Company has not entered into any material contracts with any Directors or substantial shareholders of the Company nor any persons connected to a Director or major shareholder of the Company during the financial year.

Recurrent Related Party Transactions

There were no significant recurrent related party transactions during the financial year.

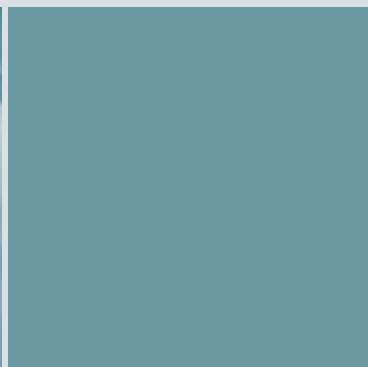
STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of financial statements for each financial year. They are reasonable for ensuring that these financial statements give a true and fair view of the state of affairs of the Group and the Company and the results and cash flows for the financial year then ended.

The financial statements are prepared on a going concern basis, in accordance with MASB Approved Accounting Standards for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

In preparing the financial statements, the Directors are required to select appropriate accounting policies and then applied them consistently.

They have general responsibilities for taking such steps as are reasonably available to them to safeguard the assets of the Group and the Company, to prevent and detect fraud and other irregularities.





financial statements

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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 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are as set out in note 6 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	<u>Group</u> RM	<u>Company</u> RM
Loss for the year	2,460,563	3,486,014
Attributable to:		
Equity holders of the Company	2,551,646	3,486,014
Minority interest	(91,083)	-
	<u>2,460,563</u>	<u>3,486,014</u>

DIVIDEND

No dividend was paid or declared by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

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 14 (i) to the financial statements.

DIRECTORS' REPORT (CONT'D)

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

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

Date granted	Expiry date	Number of unissued ordinary shares under ESOS			
		Exercised price per share RM	01 September 2006	Exercised	31 August 2007
13.09.2004	12.09.2009	0.58	4,981,971	-	4,981,971

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted option to subscribe for less than 360,000 ordinary shares of RM0.50 each in this report. As at 31 August 2007, there is no eligible employee, other than directors, who has been granted option to subscribe for 360,000 and more ordinary share of RM0.50 each.

WARRANTS

The Company had issued 21,084,250 warrants which were listed on Bursa Malaysia Securities Berhad on 02 December 2005 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 08 September 2005 executed by the Company. 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.

The salient features of the warrants are as disclosed in note 14 (ii) to the financial statements.

The summary of movements of warrants are as follows:-

Date of issue	Exercise price per warrant RM	Number of warrants		
		01 September 2006	Exercised	31 August 2007
02.12.2005	0.80	21,084,250	-	21,084,250

Details of directors' interest in the ESOS and warrants are disclosed in the section on Directors' shareholdings in this report.

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
Ng Ah Leet @ Ah Heet
Khairilnuar Bin Abdul Rahman
Hj Ismail Bin Tunggak @ Hj Ahmad

DIRECTORS' REPORT (CONT'D)

DIRECTORS (CONT'D)

In accordance with the Company's articles of association, Messrs. Dato' Koh Low @ Koh Kim Toon, Khairilnuar Bin Abdul Rahman and Hj Ismail Bin Tunggak @ Hj Ahmad 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 and its related corporations during the financial year were as follows:

Number of ordinary shares of RM0.50 each

	01 September 2006	Bought	Sold	31 August 2007
Direct interest				
Dato' Koh Low @ Koh Kim Toon	22,251,482	1,544,442	-	23,795,924
Neo Chee Kiat	5,858,210	-	-	5,858,210
Dato' Tan King Tai @ Tan Khoon Hai	1,864,720	1,990,800	-	3,855,520
Neo Tiam Hock	6,336,896	-	-	6,336,896
Ng Sey Wee @ Ang Seh Wee	2,460,510	-	-	2,460,510
Ng Ah Leet @ Ah Heet	2,266,494	-	-	2,266,494
Khairilnuar Bin Abdul Rahman	60,000	-	-	60,000
Indirect interest				
Dato' Koh Low @ Koh Kim Toon	360,050	-	(30,000)	330,050
Neo Chee Kiat	10,000	-	-	10,000
Dato' Tan King Tai @ Tan Khoon Hai	853,650	-	-	853,650
Neo Tiam Hock	7,331,518	-	-	7,331,518

Number of options over ordinary shares of RM0.50 each

	01 September 2006	Granted/Exercised	31 August 2007
Direct interest			
Dato' Koh Low @ Koh Kim Toon	225,372	-	225,372
Neo Chee Kiat	225,372	-	225,372
Dato' Tan King Tai @ Tan Khoon Hai	225,372	-	225,372
Neo Tiam Hock	225,372	-	225,372
Ng Sey Wee @ Ang Seh Wee	225,372	-	225,372
Teh Eng Aun	225,372	-	225,372
Khairilnuar Bin Abdul Rahman	225,372	-	225,372
Hj Ismail Bin Tunggak @ Hj Ahmad	225,372	-	225,372
Indirect interest			
Dato' Koh Low @ Koh Kim Toon	225,372	-	225,372

DIRECTORS' REPORT (CONT'D)

DIRECTORS' SHAREHOLDINGS (CONT'D)

	Number of warrants			31 August 2007
	01 September 2006	Bought	Sold	
Direct interest				
Dato' Koh Low @ Koh Kim Toon	156,787	1,255,180	(1,150,000)	261,967
Neo Chee Kiat	361,368	-	(361,300)	68
Dato' Tan King Tai @ Tan Khoon Hai	53	1,413,129	(500,000)	913,182
Neo Tiam Hock	556,149	-	(125,000)	431,149
Ng Sey Wee @ Ang Seh Wee	85	-	-	85
Indirect interest				
Dato' Koh Low @ Koh Kim Toon	105,275	-	-	105,275
Dato' Tan King Tai @ Tan Khoon Hai	235,375	-	-	235,375

None of the other directors holding office at the year end had any interest in shares, options over shares and warrants of the Company and its related corporations 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 24 (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 29 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 arising from the exercise of the warrants and the options granted to eligible directors of the Company pursuant to the ESOS.

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.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D)

- (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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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 cash consideration of RM2.712 million.

The acquisition of Poh Keong Industries Sdn. Bhd. was completed on 09 October 2006.

DIRECTORS' REPORT (CONT'D)

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

On 11 September 2007, a subsidiary company has entered into a Sale and Purchase Agreement to dispose 3 parcels of freehold land with a carrying value of approximately RM1.4 million for a total sale consideration of approximately RM1.4 million.

AUDITORS

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

Signed in accordance with a resolution of the directors

Dato' Koh Low @ Koh Kim Toon
Director

Dato' Tan King Tai @ Tan Khoon Hai
Director

Muar

Date: 26 December 2007

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 MASB Approved Accounting Standards 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 2007 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 subsidiary companies of which we have not acted as auditors, as disclosed in note 6 to the financial statements, 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: 26 December 2007

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Jalan Ali, 84000 Muar
Johor Darul Takzim

FOO KEE FATT

1923/06/09(J)
Partner

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E-mail: johnlws@tm.net.my

CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2007

	Note	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	49,484,397	40,637,917
Investment properties	7	3,969,984	3,955,000
Other investments	8	1,675,277	2,028,605
		55,129,658	46,621,522
Current assets			
Inventories	9	39,479,238	36,632,022
Receivables	10	33,054,408	34,115,253
Tax assets	12	1,943,504	2,401,910
Fixed deposits with licensed banks	13	4,957,154	5,202,506
Cash and bank balances		6,511,372	5,765,643
		85,945,676	84,117,334
TOTAL ASSETS		141,075,334	130,738,856
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	14	63,252,750	63,252,750
Reserves	15	4,795,781	7,347,427
		68,048,531	70,600,177
Minority interest		2,855,744	35,032
Total equity		70,904,275	70,635,209
LIABILITIES			
Non-current liabilities			
Term loans	16	4,270,236	1,300,583
Hire purchase payables	17	472,875	1,121,234
Deferred taxation	18	1,201,770	1,003,408
		5,944,881	3,425,225
Current liabilities			
Payables	19	17,264,066	14,764,211
Dividend payable		-	38,185
Amounts due to directors	20	-	97,671
Tax liability	12	1,113	22,165
Borrowings	16	46,960,999	41,756,190
		64,226,178	56,678,422
Total liabilities		70,171,059	60,103,647
TOTAL EQUITY AND LIABILITIES		141,075,334	130,738,856

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2007

	Note	2007 RM	2006 RM
Revenue	21	135,885,202	116,108,581
Cost of sales		(118,436,794)	(108,588,468)
Gross profit		17,448,408	7,520,113
Other income	22	1,655,447	1,916,690
Administrative expenses		(10,304,038)	(11,284,630)
Selling and distribution expenses		(7,591,815)	(3,492,160)
Other expenses		(1,147,759)	(501,153)
Operating profit/(loss)		60,243	(5,841,140)
Finance costs	23	(2,185,811)	(1,888,580)
Share of loss of associated company		-	(1,930,524)
Gain on disposal of associated company		-	458,655
Loss before taxation	24	(2,125,568)	(9,201,589)
Income tax expenses	12	(334,995)	(255,126)
Loss for the year		(2,460,563)	(9,456,715)
Attributable to:			
Equity holders of the Company		(2,551,646)	(9,450,907)
Minority interests		91,083	(5,808)
		(2,460,563)	(9,456,715)
Loss per share attributable to equity holders of the Company (sen)			
- basic	25	(2.0)	(7.8)
- diluted		(2.0)	(7.8)
Net dividends per share (sen)	26	-	-

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2007

Note	← Attributable to equity holders of the Company →					
	Share capital RM	Non-Distributable Share premium RM	Distributable (Accumulated losses)/ Retained profit RM	Total RM	Minority interests RM	Total equity RM
As at 01 September 2005	42,168,500	6,815,367	16,667,602	65,651,469	40,791	65,692,260
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	10,542,125	6,325,275	-	16,867,400	-	16,867,400
- bonus issue	10,542,125	-	(10,542,125)	-	-	-
Transaction costs	-	(646,106)	-	(646,106)	-	(646,106)
Subscription of shares in subsidiary company by minority interest	-	-	-	-	49	49
Dividend	26	-	(1,821,679)	(1,821,679)	-	(1,821,679)
As at 31 August 2006	63,252,750	12,494,536	(5,147,109)	70,600,177	35,032	70,635,209
As at 01 September 2006	63,252,750	12,494,536	(5,147,109)	70,600,177	35,032	70,635,209
(Loss)/profit for the year, representing total recognised income and expense for the year	-	-	(2,551,646)	(2,551,646)	91,083	(2,460,563)
Minority interest arising on business combination	27(b)	-	-	-	2,680,678	2,680,678
Subscription of shares in subsidiary company by minority interest	-	-	-	-	48,951	48,951
As at 31 August 2007	63,252,750	12,494,536	(7,698,755)	68,048,531	2,855,744	70,904,275

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2007

	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(2,125,568)	(9,201,589)
Adjustments for:			
Allowance for doubtful debts		177,623	153,606
Bad debts written off		415,542	43,529
Deposit forfeited		-	3,700
Depreciation		3,084,645	2,715,110
Impairment loss on other investment		210,000	501,153
Impairment loss on property, plant and equipment		318,403	-
Interest expenses		2,185,811	1,888,580
Inventories written down		38,759	-
Investment written off		5,000	-
Loss on disposal of property, plant and equipment		4,959	7,899
Preliminary expenses written off		-	2,500
Pre-operating expenses written off		-	48,618
Property, plant and equipment written off		-	27,884
Share of loss of associated company		-	1,930,524
Allowance for doubtful debts no longer required		(296,924)	(35,663)
Dividend income		(60,508)	(158,919)
Fair value adjustment on investment properties		-	(40,000)
Gain on disposal of associated company		-	(458,655)
Gain on disposal of property, plant and equipment		(19,000)	(235,500)
Gain on disposal of quoted investments		(37,535)	(64,868)
Interest income		(224,992)	(191,690)
Negative goodwill written off		(78,093)	-
Unrealised foreign exchange loss/(gain)		32,708	(9,448)
Operating profit/(loss) before working capital changes		3,630,830	(3,073,229)
(Increase)/decrease in inventories		(1,429,596)	5,392,260
Decrease/(increase) in receivables		3,014,987	(6,201,435)
(Decrease)/increase in payables		(1,481,521)	2,579,942
Decrease in directors' current accounts		(97,671)	(303,908)
Decrease in associated company's account		-	2,091,874
Cash generated from operations		3,637,029	485,504
Income tax paid	12	(813,310)	(1,282,287)
Income tax refund	12	1,230,868	-
Interest paid		(2,185,811)	(1,888,580)
Preliminary expenses written off		-	(2,500)
Pre-operating expenses written off		-	(48,618)
Net cash from/(used in) operating activities		1,868,776	(2,736,481)

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	Note	2007 RM	2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary company	27(c)	(2,403,222)	-
Additional to investment properties		(14,984)	-
Purchase of quoted investments		(74,348)	(1,585,981)
Purchase of property, plant and equipment	28(a)	(7,986,324)	(6,611,965)
Dividend received		55,783	150,778
Proceeds from disposal of associated company		-	458,655
Proceeds from disposal of property, plant and equipment		1,536,076	350,500
Proceeds from disposal of quoted investment		250,211	369,539
Net cash used in investing activities		(8,636,808)	(6,868,474)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loan		4,300,000	2,080,000
Net changes in short term borrowings		3,495,830	(3,071,361)
Share issue expenses incurred		-	(437,537)
Repayment of term loans		(806,470)	(261,114)
Repayment of hire purchase payables		(974,429)	(1,061,493)
Withdrawal of fixed deposits		421,220	30,399
Placement of fixed deposits		(159,437)	(628,944)
Interest received		218,688	183,528
Dividend paid		-	(1,821,679)
Proceeds from rights issue		-	16,867,400
Proceeds from issuance of shares to minority interest		48,951	49
Net cash from financing activities		6,544,353	11,879,248
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(223,679)	2,274,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		5,482,741	3,208,448
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	28(b)	5,259,062	5,482,741

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

BALANCE SHEET

AS AT 31 AUGUST 2007

	Note	2007 RM	2006 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,107	8,187
Investment in subsidiary companies	6	37,360,246	37,925,105
Other investment	8	-	210,000
		37,367,353	38,143,292
Current assets			
Receivables	10	1,000	3,713,000
Amounts due by subsidiary companies	11	24,644,052	23,644,052
Tax assets	12	44,798	7,705
Cash and bank balances		206,265	259,202
		24,896,115	27,623,959
TOTAL ASSETS		62,263,468	65,767,251
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Share capital	14	63,252,750	63,252,750
Reserves	15	(1,121,866)	2,364,148
Total equity		62,130,884	65,616,898
LIABILITIES			
Current liabilities			
Payables	19	132,584	112,168
Dividend payable		-	38,185
Total liabilities		132,584	150,353
TOTAL EQUITY AND LIABILITIES		62,263,468	65,767,251

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2007

	Note	2007 RM	2006 RM
Revenue	21	335,479	28,207
Other income	22	-	-
Administrative expenses		(312,111)	(255,368)
Other expenses		(3,489,496)	(6,532,287)
Operating loss		(3,466,128)	(6,759,448)
Finance costs	23	-	-
Loss before taxation	24	(3,466,128)	(6,759,448)
Income tax expense	12	(19,886)	-
Loss for the year		(3,486,014)	(6,759,448)

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2007

	Note	Non-distributable			Retained profit/ (Accumulated losses)	Total equity
		Share capital	Share premium	Revaluation reserve		
		RM	RM	RM	RM	RM
As at 01 September 2005						
- As previously reported		42,168,500	6,815,367	11,516,887	2,685,173	63,185,927
- Effect of adopting FRS 127	3.1	-	-	-	(4,234,434)	(4,234,434)
As restated		42,168,500	6,815,367	11,516,887	(1,549,261)	58,951,493
Impairment loss, representing net expenses recognised directly in equity		-	-	(974,762)	-	(974,762)
Loss for the year		-	-	-	(6,759,448)	(6,759,448)
Total recognised income and expense for the year		-	-	(974,762)	(6,759,448)	(7,734,210)
Issuance of shares pursuant to						
- rights issue		10,542,125	6,325,275	-	-	16,867,400
- bonus issue		10,542,125	-	(10,542,125)	-	-
Transaction costs		-	(646,106)	-	-	(646,106)
Dividend	26	-	-	-	(1,821,679)	(1,821,679)
As at 31 August 2006		63,252,750	12,494,536	-	(10,130,388)	65,616,898
As at 01 September 2006						
- As previously reported		63,252,750	12,494,536	-	(5,895,954)	69,851,332
- Effect of adopting FRS 127	3.1	-	-	-	(4,234,434)	(4,234,434)
As restated		63,252,750	12,494,536	-	(10,130,388)	65,616,898
Loss for the year, representing total recognised income and expense for the year		-	-	-	(3,486,014)	(3,486,014)
As at 31 August 2007		63,252,750	12,494,536	-	(13,616,402)	62,130,884

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2007

	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(3,466,128)	(6,759,448)
Adjustments for:			
Depreciation		1,080	1,080
Impairment loss on other investment		210,000	210,000
Impairment loss on investment in subsidiary companies		3,276,859	6,307,691
Dividend income		(335,479)	-
Interest income		-	(28,207)
Operating loss before working capital changes		(313,668)	(268,884)
Decrease/(increase) in receivables		3,712,000	(3,712,000)
Increase in payables		20,416	72,632
Decrease in directors' current accounts		-	(80,000)
Increase in amounts due by subsidiary companies		(1,000,000)	(10,357,184)
Cash generated from/(used in) operations		2,418,748	(14,345,436)
Income tax paid	12	(1,500)	(1,500)
Interest received		-	28,207
Net cash from/(used in) operating activities		2,417,248	(14,318,729)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary company	27(c)	(2,712,000)	-
Additional investment in subsidiary company		-	(250,000)
Dividend received from subsidiary companies		280,000	-
Net cash used in investing activities		(2,432,000)	(250,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses incurred		-	(437,537)
Proceeds from rights issue		-	16,867,400
Dividend paid		-	(1,821,679)
Net cash from financing activities		-	14,608,184
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(14,752)	39,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		221,017	181,562
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	28(b)	206,265	221,017

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 AUGUST 2007

1. GENERAL

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in note 6. There have been no significant changes in the nature of these activities of the Group and of the Company 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.

The registered office of the Company is at 67, 2nd Floor, Room B, Jalan Ali, 84000 Muar, Johor Darul Takzim, and the principal place of business is at PTD 6001, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, 84200 Muar, Johor Darul Takzim.

The Board has authorised the issuance of the financial statements on 26 December 2007.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements comply with MASB Approved Accounting Standards for Entities Other Than Private Entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with MASB Approved Accounting Standards 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 in note 4.

The Company has chosen to adopt the cost method, resulting in a change in accounting policy for investment in subsidiary companies. The effect of the change has resulted in a prior year adjustment as summarised in note 3.1.

The financial statements of the Group and of the Company are prepared under the historical cost convention except for the revaluation of certain freehold land and investment properties.

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

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year other than the change in accounting policy as mentioned in note 3.1.

a) Subsidiary companies

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statement.

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) Investment in subsidiary companies

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost 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.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts 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 entity 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) 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.

Freehold lands 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 profit.

f) Depreciation

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

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

Land held on long lease is being a lease with an unexpired period of fifty years or more and less than fifty years is presented as short lease.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) 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.

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.

h) 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.

i) Receivables

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.

j) Payables

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

k) Lease

i) Finance leases

Leases of assets in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments, less accumulated depreciation and impairment losses. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Hire purchase transactions which have similar criteria with finance lease are accounted for as finance lease.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

ii) Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences 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 is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

m) Provisions

Provisions are recognised when the Group has a 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 risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

n) Interest-bearing borrowings (Cont'd)

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.

o) 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) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

p) Employee benefits

i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absence. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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.

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 profit.

Under the transitional provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 and had not yet vested on 01 January 2006. The adoption of this FRS has not resulted in any financial impact to the Group as there were no new shares options issued after 31 December 2004 which remain unvested on 31 January 2006.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

r) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument. The particular recognition method adopted relating to financial instruments carried on balance sheet are disclosed in the individual accounting policy statements associated with each items.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and 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 recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

s) Impairment of non-financial assets

The carrying amount of assets, other than inventories, receivables and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalue amount, in which case, such reversal is treated as a revaluation increase.

t) Equity instruments

Ordinary shares are classified as equity. Dividends 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.

u) Other non-current investments

Non-current investments other than investments in subsidiary companies 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

v) 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.

w) Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary company acquired exclusively with a view to resale.

x) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

y) 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 THE EFFECTS THEREON

During the financial year, the Company changed the accounting policy on FRS 127: Consolidated and Separate Financial Statements.

In prior years, in accordance with the Company's accounting policy, investments in subsidiary companies were revalued by directors at each balance sheet date on the basis of the net asset value of the subsidiary companies. Any resulting surplus was taken to a non-distributable revaluation reserve in respect of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CHANGES IN ACCOUNTING POLICIES AND THE EFFECTS THEREON (CONT'D)

FRS 127 requires investment in subsidiary companies to be accounted for either at cost or in accordance with FRS 139. The Company has chosen to adopt the cost method, resulting in a change in accounting policy for investment in subsidiary companies. The Company has restated its investment in subsidiary companies at cost less accumulated impairment losses, if any, and the restatement has resulted in a prior year adjustment as summarised below:-

The change in accounting policy had the following impact on the Company's financial statements:

Company	Note	2006 RM Restated	2006 RM
Balance sheet at 31 August			
Investment in subsidiary companies	6	37,925,105	42,159,539
Total equity		65,616,898	69,851,332
Statement of changes in equity			
Decrease in (accumulated losses)/retained profit	6	-	4,234,434

There was no effect in the consolidated financial statements.

3.2 NEW AND REVISED FRSs, AMENDMENTS TO FRSs AND ISSUES COMMITTEE ("IC") INTERPRETATIONS NOT ADOPTED

The MASB has issued the following Financial Reporting Standards ("FRSs") and interpretations that are effective for annual periods beginning after 01 October 2006 and that have not been applied in preparing these financial statements.

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 which effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS108 is not disclosed.

The Group has also not adopted the following FRSs, Amendments to FRSs and IC Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group. The Directors do not anticipate that the application of these standards when they are effective will have a significant impact on the results and the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 NEW AND REVISED FRSs, AMENDMENTS TO FRSs AND ISSUES COMMITTEE ("IC") INTERPRETATIONS NOT ADOPTED (CONT'D)

	For financial periods beginning on or after
FRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 117: Leases	1 October 2006
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosures of Government Assistance	1 July 2007
FRS 124: Related Party Disclosures	1 October 2006
FRS 126: Accounting and Reporting by Retirement Benefit Plans	1 July 2007
FRS 129: Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

IC Interpretation 1, 2, 5, 6, 7 and FRS 6, 111, 120 and Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation are not relevant to the Group's operations.

The effect resulting from the adoption of FRS 117 and FRS 124 upon first adoption of these standards as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed by virtue of the exemption given in the respective standards.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(i) Depreciation of property, plant and equipment (Cont'd)

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.

(iii) Allowance for doubtful debts

The collectibility of receivables is assessed on an on going basis. An allowance for doubtful debts is made for any account considered to be doubtful of collection.

The carrying amount of the Group's receivables as at 31 August 2007 was RM33,054,408 (2006 - RM34,115,253).

The allowance for doubtful debts is made based on a review of all outstanding accounts as at the balance sheet date. A considerable amount of judgement and estimate is required in assessing the ultimate realisation of these receivables, including the creditworthiness, the past collection history of each customer and subsequent collection up to date of report. If the financial condition of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(iv) Inventories obsolescence and inventories write down

Inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of committed sales prices.

Inventories are reviewed on a regular basis and the Group will make allowance for excess or obsolete inventories and write down to net realisable based primarily on historical trends and management estimates of expected and future product demand and related pricing.

The carrying amount of the Group's inventories as at 31 August 2007 was RM39,479,238 (2006 - RM36,632,022).

Demand levels, exchange rates, technological advances and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories and additional provisions for slow moving inventories may be required.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings*	Plant, machinery and equipment	Motor vehicles	Other assets [#]	Construction -in- progress	Total
	RM	RM	RM	RM	RM	RM
At 31 August 2007						
Cost / Valuation						
At 01 September 2006	28,973,011	13,736,977	6,828,389	3,492,777	3,070,239	56,101,393
Acquisition of subsidiary	4,829,169	1,120,096	649,351	111,305	52,950	6,762,871
Additions	2,322,331	2,240,631	228,150	763,453	2,541,759	8,096,324
Disposals	(790,154)	(1,291,899)	-	-	-	(2,082,053)
Reclassification	3,070,239	-	-	-	(3,070,239)	-
At 31 August 2007	38,404,596	15,805,805	7,705,890	4,367,535	2,594,709	68,878,535
Accumulated depreciation and impairment loss						
At 01 September 2006	2,430,650	7,685,621	4,196,464	1,150,741	-	15,463,476
Acquisition of subsidiary	32,424	608,863	390,454	55,891	-	1,087,632
Depreciation charge for the year	630,314	1,250,872	913,296	290,163	-	3,084,645
Impairment loss	318,403	-	-	-	-	318,403
Disposals	(56,640)	(503,378)	-	-	-	(560,018)
At 31 August 2007	3,355,151	9,041,978	5,500,214	1,496,795	-	19,394,138
Net carrying amount						
At cost	33,977,840	6,763,827	2,205,676	2,870,740	2,594,709	48,412,792
At valuation	1,071,605	-	-	-	-	1,071,605
At 31 August 2007	35,049,445	6,763,827	2,205,676	2,870,740	2,594,709	49,484,397

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group

	Land and buildings*	Plant, machinery and equipment	Motor vehicles	Other assets [#]	Construction -in- progress	Total
	RM	RM	RM	RM	RM	RM
At 31 August 2006						
Cost / Valuation						
At 01 September 2005	27,604,318	11,192,418	5,851,194	2,892,071	599,701	48,139,702
Additions	1,250,693	2,708,076	1,526,623	603,696	2,588,538	8,677,626
Disposals	-	(115,908)	(549,428)	-	-	(665,336)
Write-offs	-	(47,609)	-	(2,990)	-	(50,599)
Reclassification	118,000	-	-	-	(118,000)	-
At 31 August 2006	28,973,011	13,736,977	6,828,389	3,492,777	3,070,239	56,101,393
Accumulated depreciation						
At 01 September 2005	1,855,095	6,757,656	3,793,026	907,741	-	13,313,518
Depreciation charge for the year	574,042	1,055,999	829,967	255,102	-	2,715,110
Disposals	-	(115,908)	(426,529)	-	-	(542,437)
Write-offs	-	(19,837)	-	(2,878)	-	(22,715)
Reclassification	1,513	7,711	-	(9,224)	-	-
At 31 August 2006	2,430,650	7,685,621	4,196,464	1,150,741	-	15,463,476
Net carrying amount						
At cost	25,470,756	6,051,356	2,631,925	2,342,036	3,070,239	39,566,312
At valuation	1,071,605	-	-	-	-	1,071,605
At 31 August 2006	26,542,361	6,051,356	2,631,925	2,342,036	3,070,239	40,637,917

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. 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
At 31 August 2007							
Cost / Valuation							
At 01 September 2006	2,546,645	5,641,386	10,381,852	9,288,988	617,136	497,004	28,973,011
Acquisition of subsidiary	-	4,765,000	-	64,169	-	-	4,829,169
Additions	733,514	162,060	224,895	1,172,897	23,465	5,500	2,322,331
Disposals	(790,154)	-	-	-	-	-	(790,154)
Reclassification	-	-	-	3,070,239	-	-	3,070,239
At 31 August 2007	2,490,005	10,568,446	10,606,747	13,596,293	640,601	502,504	38,404,596
Accumulated depreciation and impairment loss							
At 01 September 2006	140,246	-	865,312	915,522	218,732	290,838	2,430,650
Acquisition of subsidiary	-	-	-	32,424	-	-	32,424
Depreciation charge for the year	28,359	-	211,543	243,361	76,514	70,537	630,314
Disposal	(56,640)	-	-	-	-	-	(56,640)
Impairment loss	-	318,403	-	-	-	-	318,403
At 31 August 2007	111,965	318,403	1,076,855	1,191,307	295,246	361,375	3,355,151
Net carrying amount							
At cost	2,378,040	9,178,438	9,529,892	12,404,986	345,355	141,129	33,977,840
At valuation	-	1,071,605	-	-	-	-	1,071,605
At 31 August 2007	2,378,040	10,250,043	9,529,892	12,404,986	345,355	141,129	35,049,445

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. 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
At 31 August 2006							
Cost / Valuation							
At 01 September 2005	2,534,948	6,417,159	9,646,973	8,232,515	364,404	408,319	27,604,318
Additions	11,697	-	734,879	162,700	252,732	88,685	1,250,693
Reclassification	-	(775,773)	-	893,773	-	-	118,000
At 31 August 2006	2,546,645	5,641,386	10,381,852	9,288,988	617,136	497,004	28,973,011
Accumulated depreciation							
At 01 September 2005	112,751	-	657,533	709,752	171,035	204,024	1,855,095
Depreciation charge for the year	27,495	-	207,779	204,257	47,697	86,814	574,042
Reclassification	-	-	-	1,513	-	-	1,513
At 31 August 2006	140,246	-	865,312	915,522	218,732	290,838	2,430,650
Net carrying amount							
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 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	As at 31.08.2007 RM	As at 31.08.2006 RM
Net carrying amount		
a) Property, plant and equipment acquired by hire purchase plan as mentioned in note 17:-		
Motor vehicles	1,160,641	1,738,263
Plant, machinery and equipment	1,334,103	1,935,322
	2,494,744	3,673,585
b) Property, plant and equipment pledged for banking facilities granted to subsidiary companies as mentioned in note 16		
Freehold buildings	10,921,907	2,805,274
Freehold land	7,265,593	2,749,236
Long leasehold buildings	7,485,604	9,516,540
Long leasehold land	2,378,040	2,406,399
	28,051,144	17,477,449
c) Property, plant and equipment carried at valuation:		
Freehold land	1,071,605	1,071,605
Had this property, plant and equipment been carried at cost:		
Freehold land	575,643	575,643

Company	Signboard RM
At 31 August 2007	
Cost	
At beginning and end of year	10,797
Accumulated depreciation	
At 01 September 2006	2,610
Depreciation charge for the year	1,080
At 31 August 2007	3,690
Net carrying amount	
At 31 August 2007	7,107

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Note	Company	
		2007 RM	2006 RM
At 01 September			
As previously reported			
- at 2004 valuation		49,191,992	49,191,992
- at cost		250,000	250,000
Accumulated impairment losses			
- recognised in revaluation reserve		(974,762)	(974,762)
- recognised in income statement		(6,307,691)	(6,307,691)
Effect of adopting FRS 127	3.1	(4,234,434)	(4,234,434)
As restated at cost		37,925,105	37,925,105
Acquisition of a subsidiary company	27(c)	2,712,000	-
Impairment loss recognised in income statement		(3,276,859)	-
		37,360,246	37,925,105

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Name	Gross equity interest		Principal activities
	2007 (%)	2006 (%)	
Syarikat U.D. Trading Sdn. Bhd.	100.00	100.00	Dealing of furniture, plywood, small hardware, parts, equipment and construction materials
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
Poh Keong Industries Sdn. Bhd.*	51.00	-	Furniture and parts manufacturing
Subsidiary companies of U.D. Panelform Sdn. Bhd.			
U.D. Wood Products Sdn. Bhd.	100.00	100.00	Veneered woods manufacturing
Evergreen Trend Sdn. Bhd.	100.00	100.00	Temporary ceased operation during the financial year
Subsidiary companies of Sin Wee Seng Industries Sdn. Bhd.			
Starlight Industry Sdn. Bhd.*	100.00	100.00	Property investment
Oriena Industry Sdn. Bhd.*	100.00	100.00	Property investment
Subsidiary company of Syarikat U.D. Trading Sdn. Bhd.			
Syarikat U.D. Trading Corporation Sdn. Bhd.	51.00	51.00	Log houses manufacturing

* Not audited by John Lim & Associates

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENT PROPERTIES

	Group	
	2007 RM	2006 RM
At fair value		
At 01 September	3,955,000	3,955,000
Addition	14,984	-
At 31 August	3,969,984	3,955,000

Investment properties with carrying amount of RM3,265,000 (2006 - RM3,265,000) are charged as securities, as mentioned in note 16, for banking facilities granted to subsidiary companies.

Long leasehold land with carrying amount of RM240,000 (2006 - RM240,000) is in the midst of being transferred to the name of a subsidiary company.

A subsidiary company has entered into agreement on 16 April 2007 with a third party to develop its freehold land with a carrying value of RM284,984. As at balance sheet, no development has been carried out yet.

Investment properties were revalued on 14 November 2006 by Messrs. Teng Hon Keong, Chee Kok Thim and Loo Kung Hoe, independent professional valuers with Rahim & Co (Sel) Sdn. Bhd. Fair value is determined by reference to open market values on an existing use basis.

8. OTHER INVESTMENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Quoted shares, at cost				
- in Malaysia	217,312	518,777	-	-
- outside Malaysia	1,457,965	1,585,981	-	-
Unquoted shares, at cost	420,000	425,000	420,000	420,000
	2,095,277	2,529,758	420,000	420,000
Less:				
Impairment loss				
- At 01 September	210,000	-	210,000	-
- Recognised in income statement	210,000	501,153	210,000	210,000
	420,000	501,153	420,000	210,000
	1,675,277	2,028,605	-	210,000
Market value of quoted shares				
- in Malaysia	261,000	418,265	-	-
- outside Malaysia	1,497,360	1,457,964	-	-
	1,758,360	1,876,229	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INVENTORIES

	Group	
	2007 RM	2006 RM
At cost:-		
Finished goods	13,786,182	14,084,747
Work-in-progress	3,146,206	2,907,142
Raw material	22,198,022	19,535,483
Consumables	-	48,445
	39,130,410	36,575,817
At net realisable value:-		
Finished goods	348,828	56,205
	39,479,238	36,632,022

The Group has written down its inventories by RM38,759 during the financial year.

10. RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables	24,082,508	24,269,297	-	-
Less:				
Allowance for doubtful debts				
- As at 01 September	494,594	468,931		
- No longer required	(296,924)	(127,943)	-	-
- Additions	177,623	153,606	-	-
As at 31 August	375,293	494,594	-	-
	23,707,215	23,774,703	-	-
Other receivables, deposits and prepayments	9,347,193	10,340,550	1,000	3,713,000
	33,054,408	34,115,253	1,000	3,713,000

- a) The normal credit terms of receivables ranging from 14 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.
- b) Included in trade receivables are advances payments make to two suppliers amounting to RM3,021,263 (2006 - RM2,435,747).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. RECEIVABLES (CONT'D)

c) The foreign currency exposures of receivables are as follows:-

	Group	
	2007 RM	2006 RM
Euro Dollar	97,792	-
Singapore Dollar	-	31,587
United States Dollar	3,796,939	1,868,867

d) Included in other receivables are:-

- i) Non-trade advance to a former associated company, Dimensi Alam Sdn. Bhd., amounting to RM630,929 (2006 - RM1,580,929). A settlement agreement dated 24 July 2006 has been entered into between the 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. The outstanding balance of RM630,929 as at 31 August 2007 is to be repaid in full by 31 August 2008. As at the date of this report, the outstanding balance is RM258,655.
- ii) Non-trade advance amounting to RM2,000,000 in 2006 made to an incoming subsidiary company, Poh Keong Industries Sdn. Bhd.. The outstanding balance owing by Poh Keong Industries Sdn. Bhd. has been classified as amount due by related company in 2007.
- iii) Advance to a supplier for the supplying of rubberwood amounting to RM2,053,178 (2006 - RM2,053,178). As at the date of this report, the outstanding balance is RM1,553,178.
- iv) Amount owing by a vendor amounting to RM982,777 (2006 - RM1,493,674) for the purchase of freehold land. The outstanding balance as at 31 August 2007 is to be repaid in full by 31 August 2008.
- v) Amounts due by a related party, Saribina Holdings (M) Sdn. Bhd. amounting to RM248,000 (2006 - Nil).

The related party relationships and transaction are as disclosed in note 29.

11. AMOUNTS DUE BY SUBSIDIARY COMPANIES

Company

The amounts due by subsidiary companies arose mainly from advances which is interest free, unsecured and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. TAXATION

a) Movements in the taxation statements are:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
At 01 September	(2,379,745)	(1,442,775)	(7,705)	(6,205)
Acquisition of subsidiary company	(153,112)	-	-	-
Taxation charge for the year				
- Malaysian income tax	50,894	194,894	19,886	-
- Foreign tax	8,602	24,869	-	-
	59,496	219,763	19,886	-
Underprovision in prior year	118,137	133,695	-	-
Tax refund	1,230,868	-	-	-
Tax paid				
- Malaysian income tax	(804,708)	(1,282,287)	(1,500)	(1,500)
- Foreign tax	(8,602)	-	-	-
	(813,310)	(1,282,287)	(1,500)	(1,500)
Tax deducted at source	(4,725)	(8,141)	(55,479)	-
At 31 August	(1,942,391)	(2,379,745)	(44,798)	(7,705)
Disclosed as:-				
Tax assets	(1,943,504)	(2,401,910)	(44,798)	(7,705)
Tax liability	1,113	22,165	-	-
	(1,942,391)	(2,379,745)	(44,798)	(7,705)

b) The taxation expenses comprise:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Taxation charge for the year				
- Malaysian income tax	50,894	194,894	19,886	-
- Foreign tax	8,602	24,869	-	-
	59,496	219,763	19,886	-
Underprovision in prior year	118,137	133,695	-	-
Transfer from deferred taxation (note 18)				
- current year	261,679	(327,160)	-	-
- reduction in Malaysian income tax rate	(75,558)	-	-	-
- (over)/underprovision in prior year	(28,759)	228,828	-	-
	157,362	(98,332)	-	-
Taxation expenses for the year	334,995	255,126	19,886	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. 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 is as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Loss before taxation	(2,125,568)	(9,201,589)	(3,466,128)	(6,759,448)
Taxation at statutory tax rate of 27% (2006 - 28%)	(573,903)	(2,576,445)	(935,855)	(1,892,645)
Tax effects of:				
- opening deferred tax resulting from a reduction in income tax rate	(75,558)	-	-	-
- tax incentive obtained for preferential tax rate of 20%	63,381	448,999	-	-
- income not subject to tax	(31,220)	(26,226)	(35,100)	-
- double deduction expenses	(329,094)	(164,987)	-	-
- non-allowable expenses	523,384	857,445	990,549	1,892,343
- depreciation on non-qualifying property, plant and equipment	155,964	184,375	292	302
Foreign income tax	3,010	-	-	-
Tax incentives and allowances	(134,785)	(438,657)	-	-
Deferred tax assets not recognised	615,715	1,608,099	-	-
Others	28,723	-	-	-
Underprovision in prior year				
- income tax	118,137	133,695	-	-
- deferred tax	(28,759)	228,828	-	-
Income tax expenses for the year	334,995	255,126	19,886	-

Domestic current income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year/period. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

Certain subsidiaries of the Group qualify for tax incentive applicable to small-medium enterprise by virtue of having an issued and paid up share capital which is below RM2,500,000. Under this incentive, these subsidiaries enjoy a preferential tax rate of 20% on the first RM500,000 of the estimated assessable profit.

- d) The Group has unused reinvestment allowances of approximately RM7.51 million (2006 - RM2.79 million) available at year end against which no future income tax benefits have been taken up.

The Group and the Company have the following which can be used to offset against future taxable profits:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Unused capital allowances	3,588,490	1,641,823	-	-
Unused tax losses	9,618,243	8,303,166	-	-
	13,206,733	9,944,989	-	-

The availability of the unused capital allowances and tax losses for offsetting against future taxable profits of the respective subsidiary companies is subject to no substantial changes in shareholdings of the respective subsidiary companies under Section 44(5A) and (5B) of Income Tax Act, 1967.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. FIXED DEPOSITS WITH LICENSED BANKS

All the fixed deposits of the Group are pledged for credit facilities granted to subsidiary companies as mentioned in note 16 and fixed deposits amounting to RM4,745,729 (2006 - RM3,181,529) are held in trust in the name of a director.

The above fixed deposits have maturity ranging from 365 to 455 (2006 - 365 to 456) days and carry interest at effective rates ranging from 3.50% to 3.90% (2006 - 2.80% to 3.88%) per annum.

14. SHARE CAPITAL

	2007	2006	2007	2006
	No. of Share	No. of Share	RM	RM
Ordinary shares of RM0.50 each Authorised	200,000,000	2,000,000,000	100,000,000	100,000,000
Issued and fully paid:-				
At 01 September	126,505,500	84,337,000	63,252,750	42,168,500
Rights issue	-	21,084,250	-	10,542,125
Bonus issue	-	21,084,250	-	10,542,125
At 31 August	126,505,500	126,505,500	63,252,750	63,252,750

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 26 August 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 shares of the Company 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".

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. SHARE CAPITAL (CONT'D)

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

- (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
 - (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 on 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 Capital Berhad's share shall be fixed based on the 5-day weighted average market price of the UDS Capital Berhad's 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 (CONT'D)

14. 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.
- (h) The grantees have no right to participate, by virtue of this option, in any shares of the Company within the Group.

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

Number of unissued ordinary shares under ESOS					
Date granted	Expiry date	Exercise price per share RM	01 September 2006	Exercised	31 August 2007
13.09.2004	12.09.2009	0.58	4,981,971	-	4,981,971
Exercisable at the end of the financial year					4,981,971

ii) WARRANTS

The Company had issued 21,084,250 warrants which were listed on Bursa Malaysia Securities Berhad on 02 December 2005 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 08 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. SHARE CAPITAL (CONT'D)

II) WARRANTS (CONT'D)

- c) All the new ordinary shares in the Company 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 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.

The summary of movements of warrants are as follows:-

Date of issue	Exercise price RM	Number of warrants		
		01 September 2006	Exercised	31 August 2007
02.12.2005	0.80	21,084,250	-	21,084,250

15. RESERVES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable reserves:				
Share premium	12,494,536	12,494,536	12,494,536	12,494,536
Distributable reserve:				
Accumulated losses	(7,698,755)	(5,147,109)	(13,616,402)	(10,130,388)
	4,795,781	7,347,427	(1,121,866)	2,364,148

Share premium

	Group and Company	
	2007 RM	2006 RM
At 01 September	12,494,536	6,815,367
Rights issue of 21,084,250 new ordinary shares of RM0.50 each at RM0.80 per rights share	-	6,325,275
Transaction costs	-	(646,106)
	12,494,536	12,494,536

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. BORROWINGS

	Group	
	2007	2006
	RM	RM
Current portion:		
Bank overdrafts	1,252,310	244,717
Bankers' acceptances	43,876,676	38,538,000
Term loans	1,042,180	518,303
Hire purchase payables (note 17)	789,833	922,324
Trust receipts	-	1,532,846
	46,960,999	41,756,190
Non-current portion:		
Term loans	4,270,236	1,300,583

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

	Group	
	2007	2006
	RM	RM
Between one to two years	418,157	523,793
Between two to five years	2,360,331	776,790
After five years	1,491,748	-
	4,270,236	1,300,583

- a) The bank borrowings of the Group are secured by:-
- i) Debenture incorporating legal charges over the properties of the subsidiary companies as mentioned in note 5 and 7, and floating charges over all the present and future assets of the subsidiary companies;
 - ii) Fixed deposits as mentioned in note 13.
- b) The bank overdrafts bear interest at effective rates ranging from 7.81% to 8.75% (2006 - 7.88% to 8.38%) per annum.
- The trust receipts bear interest at an effective rate of 8.38% (2006 - 8.38%) per annum.
- The bankers' acceptances bear interest at effective rates ranging from 3.75% to 10.25% (2006 - 3.05% to 5.90%) per annum.
- The term loans bear interest at effective rates ranging from 4.63% to 7.05% (2006 - 3.68% to 5.00%) per annum.
- c) The term loans are repayable as follows:-

Loan account	No. of installments	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
Term loan 6	96	RM23,960 commenced August 2007
Term loan 7	120	RM23,793 commenced February 2007

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. HIRE PURCHASE PAYABLES

	Group	
	2007	2006
	RM	RM
Due within one year	845,435	1,022,985
Less:		
Future finance charges	(55,602)	(100,661)
	789,833	922,324
Due after one year	485,723	1,181,010
Less:		
Future finance charges	(12,848)	(59,776)
	472,875	1,121,234
Future minimum lease payments:		
Not later than 1 year	845,435	1,022,985
Later than 1 year and not later than 2 years	445,756	749,282
Later than 2 years and not later than 5 years	39,967	431,728
Total future minimum lease payments	1,331,158	2,203,995
Less:		
Future finance charges	(68,450)	(160,437)
Present value of finance lease liabilities	1,262,708	2,043,558
Analysis of present value of finance lease liabilities:		
Not later than 1 year	789,833	922,324
Later than 1 year and not later than 2 years	434,071	701,448
Later than 2 years and not later than 5 years	38,804	419,786
	1,262,708	2,043,558
Less:		
Amount due within 12 months (note 16)	(789,833)	(922,324)
Amount due after 12 months	472,875	1,121,234

The hire purchase payables bear interest at effective rates ranging from 2.45% to 6.70% (2006 - 4.66% to 8.41%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. DEFERRED TAXATION

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

Group	Balance at 01 September 2006	Recognised in the income statement	Acquisition of subsidiary company	Balance at 31 August 2007
	RM	RM	RM	RM
Deferred tax assets				
Provisions	(84,310)	(17,019)	-	(101,329)
Excess of tax written down value over their property, plant and equipment's net carrying amount	(32,421)	(118,166)	-	(150,587)
Unused tax losses	(256,059)	125,586	-	(130,473)
Unused capital allowances	(303,026)	149,344	-	(153,682)
	(675,816)	139,745	-	(536,071)

Group	Balance at 01 September 2006	Recognised in the income statement (Note 12)	Acquisition of subsidiary company (Note 27(b))	Balance at 31 August 2007
	RM	RM	RM	RM
Deferred tax liabilities				
Excess of property, plant and equipment's net carrying amount over their tax written down value	1,553,713	240,072	41,000	1,834,785
Unused capital allowances	-	(96,944)	-	(96,944)
Revaluation surplus on investment properties	61,011	(61,011)	-	-
Revaluation reserve	64,500	(64,500)	-	-
	1,679,224	17,617	41,000	1,737,841
Deferred tax liabilities - net	1,003,408	157,362	41,000	1,201,770

- b) Deferred tax assets of the subsidiary companies in the Group are only recognised to the extent where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The balance of deferred tax assets have not been recognised as it is not probable that sufficient future taxable profits will be available to offset against the following unrecognised deferred tax asset of these companies concerned.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. DEFERRED TAXATION (CONT'D)

Deferred tax assets have not been recognised in respect of the following:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Excess of property, plant and equipment's net carrying amount over their tax written down value	784,608	329,344	-	-
Unused tax losses	(2,231,173)	(1,682,360)	-	-
Unused capital allowances	(786,097)	(246,884)	-	-
	(2,232,662)	(1,599,900)	-	-
Less:				
Recognised as deferred tax asset	142,031	140,304	-	-
	(2,090,631)	(1,459,596)	-	-

19. PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	13,219,664	11,730,985	-	-
Other payables				
Sundry payables	3,027,613	2,018,077	14,584	6,361
Payroll liabilities	265,630	330,613	108,000	96,000
Deposits received and accruals	751,159	684,536	10,000	9,807
	4,044,402	3,033,226	132,584	112,168
	17,264,066	14,764,211	132,584	112,168

Group

The normal credit terms of payables ranging from 14 to 120 days. Other credit terms are assessed and approved on case-by-case basis.

The foreign currency exposure of payables is as follows:-

	Group	
	2007 RM	2006 RM
United States Dollar	1,758,096	628,337
New Taiwan Dollar	-	68,445
Euro Dollar	103,954	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. AMOUNTS DUE TO DIRECTORS

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Amounts due to directors				
- of the Company	-	70,327	-	-
- of subsidiary companies	-	27,344	-	-
	-	97,671	-	-

The amounts due to directors are interest free, unsecured and payable on demand.

21. REVENUE

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sales of goods	135,885,202	116,080,374	-	-
Dividend income from subsidiary companies	-	-	335,479	-
Interest income	-	28,207	-	28,207
	135,885,202	116,108,581	335,479	28,207

22. OTHER INCOME

Other income comprise the followings:

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Allowance for doubtful debts no longer required	296,924	35,663	-	-
Bad debts recovered	267,143	94,032	-	-
Dividend from quoted investments	60,508	158,919	-	-
Fair value adjustment on investment properties	-	40,000	-	-
Foreign exchange gain				
- realised	297,513	350,148	-	-
- unrealised	2,741	10,745	-	-
Gain on disposal of property, plant and equipment	19,000	235,500	-	-
Gain on disposal of quoted investments	37,535	64,868	-	-
Interest income	224,992	191,690	-	-
Lease of land	2,500	2,500	-	-
Negative goodwill written off	78,093	-	-	-
Rental income	130,200	118,500	-	-
Sundry revenue	238,298	614,125	-	-
	1,655,447	1,916,690	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. FINANCE COSTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest on				
- bankers' acceptances	1,685,539	1,456,270	-	-
- bank overdrafts	161,919	115,675	-	-
- hire purchase	106,369	108,928	-	-
- trust receipts	66,714	161,587	-	-
- term loans	165,239	46,024	-	-
- overdue	31	96	-	-
	2,185,811	1,888,580	-	-

24. LOSS BEFORE TAXATION

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

a)	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Allowance for doubtful debts	177,623	153,606	-	-
Auditors' remuneration:				
Statutory audit				
- Company's auditors	60,000	44,000	10,000	8,000
- other auditors	28,700	16,200	-	-
Non-statutory audit				
- Company's auditors	23,179	5,411	15,945	940
- other auditors	31,500	-	31,500	-
Bad debts written off	415,542	43,529	-	-
Deposit forfeited	-	3,700	-	-
Depreciation	3,084,910	2,715,110	1,080	1,080
Direct operating expenses of investment properties				
- revenue generating during the year	17,060	16,957	-	-
- non-revenue generating during the year	-	2,618	-	-
Foreign exchange loss:				
- unrealised	35,449	1,297	-	-
- realised	306,863	147,845	-	-
Impairment loss on other investment	210,000	501,153	210,000	210,000
Impairment loss on investment in subsidiary companies	-	-	3,276,859	6,307,691
Impairment loss on property, plant and equipment	318,403	-	-	-
Investment written off	5,000	-	-	-
Loss on disposal of property, plant and equipment	4,959	7,899	-	-
Preliminary expenses written off	-	2,500	-	-
Pre-operating expenses written off	-	48,618	-	-
Property, plant and equipment written off	-	27,884	-	-
Rental of				
- cylinder	119	-	-	-
- factory	90,920	-	-	-
- hostel	61,100	38,400	-	-
- machinery and equipment	-	1,985	-	-
- office equipment	11,037	10,990	-	-
- premises	189,811	141,410	-	-
- vehicles	31,708	39,298	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. LOSS BEFORE TAXATION (CONT'D)

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

b) Directors' remuneration

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
i) Directors of the Company				
Executive:				
Salaries and other emoluments	1,046,000	1,046,000	60,000	60,000
Defined contribution retirement plan	73,560	73,560	-	-
Benefit-in-kind	202,873	78,750	-	-
Other employee benefits	2,501	-	-	-
	1,324,934	1,198,310	60,000	60,000
Non-Executive:				
Fees	60,000	36,000	60,000	36,000
	1,384,934	1,234,310	120,000	96,000
ii) Directors of the subsidiary companies				
	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Executive:				
Salaries and other emoluments	447,000	134,169	-	-
Defined contribution retirement plan	42,960	11,016	-	-
Benefit-in-kind	23,300	9,100	-	-
Other employee benefits	2,479	-	-	-
	515,739	154,285	-	-

The number of directors of the Company whose total remuneration during the financial year fell within the following bands:

	Number of directors	
	2007 Nos.	2006 Nos.
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
- RM300,001 – RM350,000	2	2
- RM350,001 – RM400,000	1	-
	5	5
Non-executive directors of the Company		
- Below RM50,000	4	3
	9	8

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. LOSS PER SHARE

a) Basic loss per share

The basic loss per share is calculated by dividing the Group loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007 RM	2006 RM
Loss attributable to ordinary equity holders of the Company	(2,551,646)	(9,450,907)

	2007	2006
	Units	Units
Number of ordinary shares in issue as of 01 September	126,505,500	84,337,000
Effect of rights issue	-	15,827,629
Effect of bonus issue	-	21,084,250
Weighted average number of ordinary shares in issue	126,505,500	121,248,879

	Group	
	2007 RM	2006 RM
Basic loss per share	(0.020)	(0.078)

b) Diluted loss per share

The fully diluted loss per share is the same as the basic loss per ordinary share, as the effects of ESOS and warrants are ignored as they all anti-dilutive, in calculating the diluted loss per ordinary share in accordance with FRS 133 on Earning per Share.

26. DIVIDEND

	Group and Company	
	2007 RM	2006 RM
Paid		
A first and final dividend of RM0.04 on 126,505,500 ordinary shares of RM0.50 each less 28% tax in respect of financial year ended 31 August 2005	-	1,821,679

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. ACQUISITION OF A SUBSIDIARY COMPANY

On 09 October 2006, the Company acquired 51% equity shares in Poh Keong Industries Sdn. Bhd. for cash consideration of RM2,712,000. The principal activity of Poh Keong Industries Sdn. Bhd. is manufacturing of furniture and parts.

The effects of the acquisition 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 Acquisition of Subsidiary Company
	2007 RM
Revenue	13,597,818
Profit for the year	297,136

If the acquisition had occurred on 01 September 2006, the Group's revenue and profit for the year would have been RM15,736,299 and RM297,136 respectively.

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

	Fair value recognised on acquisition	Acquiree's carrying amount
	RM	RM
Fixed deposit with licensed bank	16,431	16,431
Tax assets	153,112	153,112
Property, plant and equipment	5,675,239	5,675,239
Inventories	1,456,379	1,456,379
Receivables	2,268,257	2,268,257
Cash and cash equivalents	308,778	308,778
Payables	(3,972,846)	(3,972,846)
Borrowings	(393,579)	(393,579)
Deferred tax liability	(41,000)	(41,000)
Increase in Group's net assets	5,470,771	5,470,771
Less: Minority interest	2,680,678	
Group's share of net assets	2,790,093	
Negative goodwill on acquisition	(78,093)	
	2,712,000	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. ACQUISITION OF A SUBSIDIARY COMPANY (CONT'D)

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

	At date of acquisition
	2007
	RM
Total purchase consideration satisfied by cash of the Company	2,712,000
Less:	
Cash and cash equivalents of subsidiary company acquired	(308,778)
Cash flow on acquisition of subsidiary company, net of cash acquired of the Company	2,403,222

There was no acquisition in the financial year ended 31 August 2006 and subsequent to 31 August 2007.

28. 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	
	2007	2006
	RM	RM
Purchase of property, plant and equipment (note 5)	8,096,324	8,677,626
Financed by hire purchase payables	(110,000)	(2,065,661)
Cash payments on purchase of property, plant and equipment	7,986,324	6,611,965

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

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Cash in hand				
- Malaysian Ringgit	34,151	101,773	-	-
- United States Dollar	2,789	1,249	-	-
- Euro Dollar	-	4,583	-	-
- others	-	2,243	-	-
Cash at banks				
- Malaysian Ringgit	5,249,533	5,213,853	206,265	221,017
- United States Dollar	1,224,899	403,757	-	-
Bank overdrafts	6,511,372	5,727,458	206,265	221,017
- Malaysian Ringgit	(1,252,310)	(244,717)	-	-
- Dividend payable	-	-	-	38,185
	5,259,062	5,482,741	206,265	259,202

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosure mentioned elsewhere in the financial statements, the related party relationships and significant transactions are set at as follows:-

a) Identity of related parties

Related parties are parties in which one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company has related party relationships with the following:-

- i) Subsidiary companies of the Company as mentioned in note 6.
- ii) A company in which Dato' Tan King Tai @ Tan Khoon Hai is a director
- Tan Commercial Management Services Sdn. Bhd.
- iii) A company in which certain directors have financial interest
- Saribina Holdings (M) Sdn. Bhd., a supplier of the Group in which Dato' Tan King Tai @ Tan Khoon Hai and Dato' Koh Low @ Koh Kim Toon are the directors and shareholders.
- iv) Key management personnel
- Koh Tie Siang
- v) Director of the subsidiary company
- Lee Geok Kim is a director of Poh Keong Industries Sdn. Bhd.

b) Significant transaction undertaken during the financial year was as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Rental of factory paid to Lee Geok Kim	90,920	-	-	-
Printing charges paid/payable to Tan Commercial Management Services Sdn. Bhd.	8,460	-	8,460	-
Advances payments to Saribina Holdings (M) Sdn. Bhd. for the purchases of construction materials	248,000	-	-	-
Dividends received				
- Sin Wee Seng Industries Sdn. Bhd.	-	-	(130,000)	-
- Syarikat UD Trading Sdn. Bhd.	-	-	(205,479)	-
Remuneration paid/payable to Koh Tie Siang	110,940	-	-	-

The above transactions have been entered into the normal course of business based on negotiated and mutually agreed terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. STAFF COSTS

The total staff costs, including directors remuneration, recognised in the income statement were as follows:-

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Salaries and wages	11,492,744	9,373,401	120,000	96,000
Defined contribution retirement plan	791,253	724,950	-	-
Other employee benefits	151,130	145,682	-	-
	12,435,127	10,244,033	120,000	96,000

31. CONTINGENT LIABILITIES

UNSECURED

Group

A customer of the subsidiary company of the Group, Syarikat U.D. Trading Sdn. Bhd. ("UDT") has taken legal action against UDT for:-

- i) unspecified damages;
- ii) the writ of seizure and sale proceedings ("WSS") which UDT obtained judgment in default on 02 October 2002 is void and illegal; and
- iii) UDT be restrained from proceeding with the WSS.

Based on the advice of solicitors, the directors are of the opinion that the above action will not be successful. The possible damages, if any, would not have any material financial impact to the Group.

Company

The Company has extended corporate guarantee to bankers for credit facilities to a limit of approximately RM99.3 million (2006 - RM70.2 million), as mentioned in note 35, granted to subsidiary companies.

Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the subsidiary companies amounting to approximately RM47.0 million as of 31 August 2007 (2006 - RM44.6 million).

32. CAPITAL COMMITMENT

	Group	
	2007 RM	2006 RM
Authorised and contracted for:- Construction of factory building	-	1,208,566
Authorised but not contracted for:- Property, plant and equipment	3,000,000	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. SEGMENTAL REPORTING - GROUP

Segment information

Segment information is presented in respect of the Group's business segment. An analysis by geographical segment has been presented in respect of revenue only 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:-

<u>Business segment</u>	<u>Business activity</u>
Manufacturing	Manufacturing of furniture products and log houses
Investment holding	Investment holding
Property investment	Property investment

BUSINESS SEGMENT

2007	Investment holding RM	Manufacturing RM	Property investment RM	Eliminations RM	Consolidated RM
REVENUE AND EXPENSES					
Revenue					
External sales	-	135,885,202	-	-	135,885,202
Dividend income	335,479	-	-	(335,479)	-
Inter-segment revenue	-	24,619,899	199,600	(24,819,499)	-
Total	335,479	160,505,101	199,600	(25,154,978)	135,885,202
Results					
Segment results	(446,655)	211,313	77,956	(7,363)	(164,749)
Finance costs	-	(2,193,174)	-	7,363	(2,185,811)
Finance income	-	224,992	-	-	224,992
Loss before taxation					(2,125,568)
Income tax expense					(334,995)
Loss for the year					(2,460,563)
Attributable to:					
Equity holders of the Company					(2,551,646)
Minority interest					91,083
					(2,460,563)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. SEGMENTAL REPORTING - GROUP (CONT'D)

BUSINESS SEGMENT (CONT'D)

2007	Investment holding RM	Manufacturing RM	Property investment RM	Eliminations RM	Consolidated RM
ASSETS AND LIABILITIES					
Segment assets [#]	214,372	135,675,692	3,241,766	-	139,131,830
Segment liabilities [@]	132,584	68,830,580	5,012	-	68,968,176
OTHER INFORMATION					
Capital expenditure					
- Property, plant and equipment	-	8,096,324	-	-	8,096,324
- Acquisition of subsidiary company	-	2,712,000	-	-	2,712,000
Depreciation	1,080	3,041,215	42,350	-	3,084,645
Non-cash expenses other than depreciation	210,000	980,485	15,250	-	1,205,735
					4,290,380

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

2006	Investment holding RM	Manufacturing RM	Property investment RM	Eliminations RM	Consolidated RM
REVENUE AND EXPENSES					
Revenue					
External sales	28,207	116,080,374	-	-	116,108,581
Inter-segment revenue	-	27,592,088	38,400	(27,630,488)	-
Total	28,207	143,672,462	38,400	(27,630,488)	116,108,581
Results					
Segment results	(6,759,448)	(6,629,387)	238,831	7,117,174	(6,032,830)
Finance costs	-	(1,855,621)	(32,959)	-	(1,888,580)
Finance income	-	191,690	-	-	191,690
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)
Loss for the year					(9,456,715)
Attributable to:					
Equity holders of the Company					(9,450,907)
Minority interest					(5,808)
					(9,456,715)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. SEGMENTAL REPORTING - GROUP (CONT'D)

BUSINESS SEGMENT (CONT'D)

2006	Investment holding RM	Manufacturing RM	Property investment RM	Eliminations RM	Consolidated RM
ASSETS AND LIABILITIES					
Segment assets #	4,190,389	120,142,841	4,003,716	-	128,336,946
Segment liabilities ®	150,353	56,917,538	2,010,183	-	59,078,074
OTHER INFORMATION					
Capital expenditure					
- Property, plant and equipment	-	8,677,626	-	-	8,677,626
Depreciation	1,080	2,668,844	45,186	-	2,715,110
Non-cash expenses other than depreciation	210,000	580,186	-	-	790,186
					3,505,296

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

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

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

Geographical segment

The following table provide an analysis of the Group's revenue by geographical segment:-

	2007 RM	2006 RM
Africa	2,594,526	1,547,645
America	13,205,594	1,365,726
Asia Pacific	46,088,816	41,743,878
Australia	2,156,291	1,126,644
Europe	12,604,487	12,148,902
Malaysia	59,235,488	58,175,786
Total revenue	135,885,202	116,108,581

34. 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. The Board regularly reviews and agrees policies for managing these risks. During the financial year under review, there is no trading in derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. FINANCIAL RISK MANAGEMENT (CONT'D)

a) Foreign currency risk

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

Foreign exchange exposure in transactional currencies is 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 one to twelve months
RM		
As at 31 August 2007		
Forward contracts used to hedge sales	United States Dollar	11,240,320
RM		
Maturity within one to twelve months		
RM		
As at 31 August 2006		
Forward contracts used to hedge sales	United States Dollar	25,522,688

The net unrecognised losses as at 31 August 2007 on forward currency contracts used to hedge anticipated sales which are expected to occur in the next twelve months amounted to RM336,939 (2006 - RM461,943) 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 does not have significant concentration of credit risk on trade debts.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. FAIR VALUES

Recognised

- a) The carrying amounts of financial instruments with a maturity of less than one year are assumed to approximate their fair values. For long term borrowings, fair values have been determined by discounting the relevant cash flows using current interest rates as at the balance sheet date.

The aggregate fair values of financial liabilities carried on the balance sheet as at 31 August are presented in the following table:

	Group			
	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Non-current financial liabilities				
Term loans	4,270,236	3,994,032	1,300,583	1,198,468
Hire purchase payables	472,875	431,045	1,121,234	1,098,015

- b) It is not practical to estimate the fair values of investment in subsidiary companies due to the constraints of timeliness and cost involved. However, at balance sheet date, the net assets of subsidiary companies are RM46,440,616 (2006 - RM43,175,181).
- 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) As at 31 August 2007, the contingent liability not recognised in the balance sheet of the Company is as follows:

	Note	Company		Net fair value
		Credit facilities limit	Amount utilised	
		RM	RM	RM
Corporate guarantee	31	99,280,000	46,971,056	-

The net fair value of the contingent liability is estimated to be minimal as the subsidiary companies are expected to fulfill their obligation to repay their borrowings.

- b) The fair values of forward exchange contracts of the Group as at 31 August 2007 are estimated at RM10,903,381 (2006 - RM25,060,745), determined using forward exchange market rate at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

On 11 September 2007, a subsidiary company has entered into a Sale and Purchase Agreement to dispose 3 parcels of freehold land with a carrying value of approximately RM1.4 million for a total sale consideration of approximately RM1.4 million.

37. COMPARATIVE INFORMATION

The following comparative information figures, other than as mentioned in note 3.1, have been reclassified to conform with current year's presentation:-

	As restated	As previously
	RM	reported
		RM
Balance Sheet		
Non-current assets		
Amounts due by subsidiary companies	-	23,644,052
Current assets		
Amounts due by subsidiary companies	23,644,052	-

LIST OF PROPERTIES AS AT 31 AUGUST 2007

The Group's policy on revaluation of landed properties is as stated in Note 3(e) and 3(g) to the Financial Statements.

Address/ Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Revaluation/ Acquisition
Syarikat U.D. Trading Sdn Bhd						
Lot 8784, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Muar, Johor.	Industrial land with single-storey factory	5,501.58 sq. m	Furniture manufacturing facilities	99 years leasehold expiring in 29-12-2094/ 4 years	3,379	07.06.02 (Date of Acquisition)
Lot 149, 151 & 152, Mukim of Parit Jawa, District of Muar, Johor.	3 contiguous plots of orchard small-holdings	11.313 hectares	Planted durian, duku and oil-palm trees	Freehold/ N/A	1,400	22.09.04 (Date of Valuation)
Lot 4038, Jalan Parit Bakar 1, Taman Parit Bakar, Jalan Temenggong Ahmad, 84010 Muar, Johor.	Double storey bungalow house	681.13 sq. m	Residential uses	Freehold/ 7 years	765	15.03.05 (Date of Acquisition)
No 18, Jalan Seroja 39, Taman Johor Jaya, 81100 Johor Bahru, Johor.	Double storey terrace warehouse cum office	990.90 sq. m	Warehouse cum office	Freehold/ 13 years	1,216	07.05.00 (Date of Acquisition)
Lot 2312, GM 1935, Mukim of Sungai Raya , District of Muar, Johor.	Industrial land	1.4164 hectares	Vacant	Freehold/ N/A	1,053	26.09.02 (Date of Acquisition)
Lot 1794, GM348, Mukim of Sungai Raya, District of Muar, Johor.	Industrial land	1.0117 hectares	Rented (Investment property)	Freehold/ N/A	640	25.11.04 (Date of Revaluation)
Lot 4304, GM 1291, Mukim of Parit Bakar, District of Muar, Johor.	Residential land	0.2479 hectares	Shop lots and bungalow (Investment property)	Freehold/ Under construction	285	09.12.04 (Date of Revaluation)
Unit 07-07, 7th Floor, Kondominium Ruby, Jalan Sungai Abong, 84000 Muar, Johor.	Condominium unit	113.16 sq. m	Vacant (Investment property)	Freehold/ 7 years	180	25.11.04 (Date of Revaluation)
Lot 178, 250 & 251, Mukim of Pagoh, District of Alor Gajah, Melaka.	3 plots of residential " bungalow" land	2,986.00 sq. m	Vacant (Investment property)	99 years leasehold expiring in 18-12-2094/ NA	635	30.11.04 (Date of Revaluation)
No 28 & 30, Jalan Nilam 1/3, Subang Hi-Tech Industrial Park, Batu 3, 40000 Shah Alam, Selangor.	2 plots of 1½ storey shop house	372.00 sq. m	Rented (Investment Property)	Freehold/ 11 years	710	25.11.04 (Date of Revaluation)

LIST OF PROPERTIES (CONT'D)

Address/ Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Revaluation/ Acquisition
U.D. Industrial Sdn Bhd						
Lot 8791, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor.	Industrial land with 2 adjoining blocks of factory building with a double-storey office block	10,055.78 sq. m	Office with furniture manufacturing facilities	99 years leasehold expiring in 29-12-2094/ 10 years	3,071	31.05.00 (Date of Acquisition)
U.D. Panelform Sdn Bhd						
Lot 8800, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor.	Industrial land with single-storey factory and office block	8,217.00 sq. m	Office with coil nail manufacturing facilities	99 years leasehold expiring in 29-12-2094/ 4 years	3,050	13.07.01 (Date of Acquisition)
Lot 171, Jalan 3, Kompleks Perabut Olak Lempit, 42700 Banting, Kuala Langat, Selangor.	Industrial land with double-storey office block cum single storey factory	4,046.85 sq. m	Office with furniture manufacturing facilities	99 years Leasehold expiring in 26-09-2087/ 8 years	1,398	07.05.02 (Date of Acquisition)
Lot 8792, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Bukit Bakri, 84200 Muar, Johor.	Industrial land with single-storey detached factory	2,321.00 sq. m	Log house construction site	99 years Leasehold expiring in 29-12-2094/ 3 years	1,475	24.06.02 (Date of Acquisition)
Sin Wee Seng Industries Sdn Bhd						
No 48-10 and 48-11, Jalan Khalidi, 84000 Muar, Johor.	2 units of double storey semi-detached house	744.07 sq. m	Residential use	Freehold/ 5 years	645	07.04.01 (Date of Acquisition)
No 116, Lorong Hang Jebat, Melaka.	2½ storey shophouse	237.55 sq. m	Vacant (Investment property)	Freehold/ 23 years	350	26.12.06 (Date of Valuation)
Lot 1420, GM 848, Mukim of Sungai Raya, District of Muar, Johor.	Agriculture land	0.5741 hectares	Homestead use (Investment property)	Freehold/ N/A	320	18.12.06 (Date of Valuation)
Lot 127, Lot Kawi Kinarut Industrial Estate Phase 1, District of Penambang, Kota Kinabalu, Sabah.	Industrial Building	1,538 sq. m	Office with warehouse facilities (Investment property)	60 Years leasehold expiring in 31-12-2042/ 13 years	850	22.12.06 (Date of Valuation)

LIST OF PROPERTIES (CONT'D)

Address/ Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Revaluation/ Acquisition
Stralight Industry Sdn Bhd						
Lot PTD 4085, Kawasan Perindustrian Parit Jamil, 84150 Parit Jawa, Muar, Johor.	Industrial land with single-storey factory and detached double-storey office	1.6840 hectares	Sofas manufacturing facilities	Freehold/ 5 years	8,536	29.01.99 (Date of Acquisition)
Oriena Industry Sdn Bhd						
Lot PTD 4084, Kawasan Perindustrian Parit Jamil, 84150 Parit Jawa, Muar, Johor.	Industrial land with single-storey factory	1.6840 hectares	Sofas manufacturing facilities	Freehold/ 1 year	4,735	20.06.02 (Date of Acquisition)
Poh Keong Industries Sdn Bhd						
Lot 1789, GM1142, Mukim of Sungai Raya, District of Muar, Johor.	Industrial land with single-storey detached factory	1.9400 hectares	Furniture manufacturing facilities	Freehold/ < 1 year	4,640	24.11.04 (Date of acquisition)
PT 20693, Mukim Sungai Pasir, Kuala Muda, Kedah.	Industrial land with single-storey detached factory and office	24,284 sq. m	Furniture manufacturing facilities	Freehold/ 16 years	2,909	31.03.06 (Date of acquisition)

ANALYSIS OF SHAREHOLDINGS AS AT 31 DECEMBER 2007

ANALYSIS OF SHAREHOLDINGS AS AT 31 DECEMBER 2007

Principal Statistics

Authorised Share Capital	:	RM100,000,000
Issued and Paid-up Share Capital	:	RM63,252,750
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per ordinary share at any shareholders' meeting

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 31 DECEMBER 2007

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
less than 100 shares	9	0.36	244	0.00
100 to 1,000 shares	286	11.48	263,666	0.21
1,001 to 10,000 shares	1,346	54.03	7,303,442	5.77
10,001 to 100,000 shares	719	28.86	24,010,771	18.98
100,001 to less than 5% of issued shares	129	5.18	69,640,713	55.05
5% and above of issued shares	2	0.08	25,286,664	19.99
Total	2,491	100.00	126,505,500	100.00

ANALYSIS OF WARRANTHOLDINGS AS AT 31 DECEMBER 2007

Principal Statistics

No of warrants in issue	:	21,084,250 warrants
Exercise price of warrants	:	RM0.80 per new ordinary share subscribed
Expiry date of warrants	:	01 December 2015
Voting Rights	:	One vote per warrant at any warrant holders' meeting

DISTRIBUTION SCHEDULE OF WARRANTHOLDINGS AS AT 31 DECEMBER 2007

Size of Warrantholdings	No. of Warranholders	% of Warranholders	No. of Warrants	% of Issued Warrants
less than 100 warrants	38	5.09	1,920	0.01
100 to 1,000 warrants	203	27.18	97,210	0.46
1,001 to 10,000 warrants	243	32.53	1,361,478	6.46
10,001 to 100,000 warrants	230	30.79	9,133,295	43.32
100,001 to less than 5% of issued warrants	32	4.28	8,927,347	42.34
5% and above of issued warrants	1	0.13	1,563,000	7.41
Total	747	100.00	21,084,250	100.00

ANALYSIS OF SHAREHOLDINGS (CONT'D)

SUBSTANTIAL SHAREHOLDERS
(Based on the Register of Substantial Shareholders)

Name of Shareholders	No. of Shares Held		% of Issued Share Capital	
	Direct	Indirect	Direct	Indirect
Dato' Koh Low @ Koh Kim Toon	24,031,924	330,050 ^a	19.00	0.26
MIMB Investment Bank Berhad	8,541,446		6.75	
Neo Tiam Hock	6,336,896	7,331,518 ^b	5.01	5.80

DIRECTORS' SHAREHOLDINGS
(Based on the Register of Directors' Shareholdings)

Name of Directors	No. of Shares Held		% of Issued Share Capital	
	Direct	Indirect	Direct	Indirect
Dato' Koh Low @ Koh Kim Toon	24,031,924	330,050 ^a	19.00	0.26
Neo Tiam Hock	6,336,896	7,331,518 ^b	5.01	5.80
Neo Chee Kiat	5,858,210	10,000 ^c	4.63	0.01
Dato' Tan King Tai @ Tan Khoon Hai	3,855,520	917,050 ^d	3.05	0.72
Ng Sey Wee @ Ang Seh Wee	2,460,510		1.94	
Ng Ah Leet @ Ah Heet	2,166,494		1.71	
Khairilnuar Bin Abdul Rahman	60,000		0.05	
Teh Eng Aun	nil			
Hj Ismail bin Tunggak @ Hj Ahmad	nil			

Notes:

Deemed interested by virtue of the Section 134(12)(c) of the Companies Act 1965

Name	Relationships	No of Direct Shares Held	% of Issued Share Capital
Tan Joh Chu	^a Spouse	60,000	0.05
Koh Tie Siang	^a Child	245,050	0.19
Koh Shih Hui	^a Child	25,000	0.02
Ng Lai Choo	^b Spouse	10,000	0.01
Neo Chee Kiat	^b Child	5,858,210	4.63
Neo Chee How	^b Child	739,154	0.58
Neo Chee Hsian	^b Child	724,154	0.57
Lim Hui Na	^c Spouse	10,000	0.01
Chan Mei Cheng	^d Spouse	917,050	0.72

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT - SHAREHOLDERS AS AT 31 DECEMBER 2007

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	MIMB INVESTMENT BANK BERHAD	8,541,446	6.75
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.	3,775,058	2.98
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	3,424,211	2.71
7	TEE GEE SIA	2,547,050	2.01
8	NG SEY WEE @ ANG SEH WEE	2,460,510	1.94
9	NG AH LEET @ AH HEET	2,166,494	1.71
10	NEO CHEE KIAT	2,000,000	1.58
11	PI SIU CHAN @ PEE KOON FOOI	1,905,228	1.51
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI	1,577,100	1.25
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (E-BMM)	1,551,500	1.23
14	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	1,500,000	1.19
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)	1,291,700	1.02
16	TSAI, MING-FANG	1,285,938	1.02
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	1,260,100	1.00
18	NEO TIAM HOCK	1,250,000	0.99
19	LIM BAK JONG	1,230,050	0.97
20	KOO KEK	982,050	0.78
21	LIM NGAK CHEW	920,100	0.73
22	CHUA LEE SENG	887,368	0.70
23	TAN KIM POO	755,844	0.60
24	KOH CHOON SENG	740,782	0.59
25	NEO CHEE HOW	739,154	0.58
26	NEO CHEE HSIAN	724,154	0.57
27	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR TAN KING TAI @ TAN KHOON HAI (SMART)	720,700	0.57
28	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	693,800	0.55
29	AH MOY @ KHOO AH MOY	662,400	0.52
30	LOW SEAI HOON	632,500	0.50

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT - WARRANTHOLDERS AS AT 31 DECEMBER 2007

No	Name of Warrantholders	No. of Warrants Held	% of Issued Warrants
1	PHNUAH FARN FARN	1,563,000	7.41
2	TAN KING TAI @ TAN KHOON HAI	913,129	4.33
3	FRANCIS CHAI KIM LUNG	900,000	4.27
4	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD YAP KOK KEONG (T-1441016)	580,000	2.75
5	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI YAM KOOI (M01)	546,400	2.59
6	NEO TIAM HOCK	431,149	2.04
7	TEE GEE SIA	376,675	1.79
8	CHAN LEE YUEN	344,000	1.63
9	WOON SIN KHIONG	301,700	1.43
10	TEOH ENG HOE	300,000	1.42
11	KOH LOW @ KOH KIM TOON	255,180	1.21
12	GOH CHUO CHAI	250,000	1.19
13	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KOON SENG	250,000	1.19
14	KOH SOO @ KOH KIM CHIU	244,900	1.16
15	LIEW YUEH MING	244,600	1.16
16	CHAN MEI CHENG	235,375	1.12
17	PHNUAH FARN FARN	230,914	1.10
18	SIVARAJAH ARASU A/L THIRUNAVUK ARASU	200,000	0.95
19	ECM LIBRA AVENUE NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR TAI ENG HUAT	200,000	0.95
20	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD ANG LIAN HUAY (T-1441041)	179,800	0.85
21	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOO KUN CHING (131074)	179,000	0.85
22	TEE GEOK CHONG	170,000	0.81
23	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SIEW YING	170,000	0.81
24	TING BEE TOO	155,025	0.74
25	CHING KEAN LAM	150,400	0.71
26	CHONG KOK SOO	150,000	0.71
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIA TENG THO	150,000	0.71
28	PANG KHEK GNOH	150,000	0.71
29	TAI WENG FEY	150,000	0.71
30	YII LEH KIEW	150,000	0.71

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth (8th) 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 Monday, 25th day of February, 2008 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 2007 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) Dato' Koh Low @ Koh Kim Toon (Article 91) **(Resolution 2)**
 - (b) Khairilnuar Bin Abdul Rahman (Article 91) **(Resolution 3)**
 - (c) Hj Ismail Bin Tunggak @ Hj. Ahmad (Article 91) **(Resolution 4)**
- 3 To re-appoint Messrs. John Lim & Associates as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
- 4 To consider and, if thought fit, to pass the following resolutions as an **Ordinary Resolutions and Special Resolution:-**

ORDINARY RESOLUTION

5 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 6)

- 6 "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 7)

Special Resolution

7 Proposed Amendments to the Articles of Association of the Company

"THAT the Articles of Association of the Company be and are hereby amended in the manner as set out in Appendix I of the Annual Report.

And that the Directors and the Company Secretary be and are hereby authorised to assent to any modifications, variations and/or amendments as may be considered necessary to give full effect to the proposed amendments to the Articles of Association of the Company".

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- 8 To consider any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

Tan Wang Giap (MACS 00523)
Secretary

Muar, Johor Darul Takzim
31 January 2008

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 6, 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 7, 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.
- 7 The Special Resolution, if passed, will allow the Company to incorporate the amendments to the Listing Requirements of the Bursa Malaysia Securities Berhad to ensure compliance with the Listing Requirements and Article 113 is proposed to be amended to facilitate the validity of board's circular resolutions.

Further details of the proposed amendments are listed in Appendix I of the Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

- 1 The Directors who are standing for re-election pursuant to the Company's Articles of Association are as follows:-
 - a. Dato' Koh Low @ Koh Kim Toon (Article 91)
 - b. Khairilnuar Bin Abdul Rahman (Article 91)
 - c. Hj Ismail Bin Tunggak @ Hj Ahmad (Article 91)
2. Details of the profile of directors who are standing for re-election are set out in the Directors' Profile on page 10 to 11 while their securities interest in the Company are disclosed in the Directors' Report on page 24 to 25 of this annual report.
3. None of the directors have any securities interest in the subsidiaries of the Company.
4. None of the directors have any conflict of interest in the Company.
5. None of the directors have been convicted for offences within the past ten (10) years other than traffic offences, if any.
6. 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.

APPENDIX I

Proposed Amendment To The Articles of Association of UDS CAPITAL BERHAD (“The Company”)

The Articles of Association of the Company are proposed to be amended in the following manner:

1(a) THAT the existing definition of “ Approved Market Place” in Article 2 which read:

“ A stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No. 2) Order 1998.”

be amended by deleting in its entirety.

1(b) THAT the following existing definition in Article 2 be amended by deleting in its entirety:

“ Exchange” Malaysia Securities Exchange Berhad

“ Central Depository” Malaysian Central Depository Sdn Bhd

and substituted by the following new interpretation and all reference to the above interpretations throughout the whole Articles of Association be changed accordingly:

“ Exchange” Bursa Malaysia Securities Berhad

“ Depository” Bursa Malaysia Depository Sdn Bhd

1(c) THAT the following new definition be inserted in Article 2:

“ Home Exchange” The meaning given in the Commission’s Policies and Guidelines on the Issue/Offer of Securities

“ Predominantly Foreign-Based Operations” The meaning given in the Commission’s Policies and Guidelines on the Issue/Offer of Securities

“ Predominantly Malaysian-Based Operations” The meaning given in the Commission’s Policies and Guidelines on the Issue/Offer of Securities

“ Primary Listing on the Exchange” A listing of a company seeking a primary listing and approved for listing as such by the Commission pursuant to the Commission’s Policies Guidelines on the Issue/Offer of Securities

“ Secondary Listing on the Exchange” A listing by the Exchange of a company which is not a primary listing on the Exchange

2. THAT Article 3.(2) of the Articles of Association which read:

“ (2) Paragraph (1) of this Article shall be subject to the following restrictions, that is to say:-

(a) No Director shall participate in an issue of shares to employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director.

(b) No issue of preferred shares shall be made which would result in the total nominal value of issued preferred shares exceeding the total nominal value of the issued ordinary shares at the time of such issue.”

APPENDIX I (CONT'D)

be amended in its entirety and the following substituted therefor:

"(2) Paragraph (1) of this Article shall be subject to the restriction that no Director shall participate in an issue of shares to employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director."

3. THAT Article 3(5) which read:

"Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and also have the right to vote at any meetings convened for the purpose of reducing the capital or on a proposal to wind up the Company or during the winding up of the Company, or sanctioning a sale of the whole of Company's property business and undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months. The preference shareholders shall be entitled to a return of capital in preference to ordinary shareholders when the Company is wound up"

be amended by deleting "The preference shareholders shall be entitled to a return of capital in preference to ordinary shareholders when the Company is wound" in the last 2 line.

4 THAT a new Article 3A which read:

"Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and/or issue securities, dispatch notices of allotment to the allottees and make an application for the quotation of such securities within the following prescribed periods, or such other period as may be prescribed by the Exchange:

- (a) In respect of a rights issue, within eight (8) Market Days after the final applications date for rights issue;
- (b) In respect of any issuance shares pursuant to an employees share option scheme, within eight (8) Market Days after the date of receipt of a notice of the exercise of the option duly accompanied by the requisite payment; and
- (c) In respect of any issuance of shares pursuant to an exercise of a right or a conversion, within eight (8) Market Days after the date of receipt of a subscription form duly accompanied by the requisite payment."

be inserted after Article 3(5).

5 THAT article 26 which read:

"The transfer books and the Record of Depositors and debenture holders may be closed for such periods as the Directors think fit provided that twelve (12) clear market days, or such other period as may be prescribed by law or by the Exchange, notice of intention shall be published in a local daily newspaper circulating in Malaysia and any intention to fix a book closing date and the reasons therefore, stating the books closing date shall be at least twelve (12) clear market days, or such other period as may be prescribed by law or by the Exchange, after the date of the announcement to the Exchange and nor exceeding in the whole thirty (30) days, or such other period as may be prescribed by law or by the Exchange, in each year. The transfer books and Record of Depositors may be closed for the purpose of determining persons entitled to dividends, interest, or new securities, or rights to a priority of application for issue of securities. The Company shall request the Central Depository in accordance with the Rules to issue a Record of Depositors as at a date not less than three (3) market days or such other period prescribed by the Central Depositories Act and/or the Rules before the occurrence of the related event."

be amended in its entirety and the following substituted therefor:

APPENDIX I (CONT'D)

" Subject to the Rules and Listing Requirements, the transfer of any securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days prior notice shall be given to the Depository to prepare the appropriate Record of Depositors."

6 THAT Article 33 which read:

" Transmission of shares from foreign register

(1) Where (if applicable)

- (a) the shares of the Company are listed on an Approved Market Place; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such shares, the Company shall, upon request of a shareholder, permit a transmission of shares held by such shareholder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approval Market Place (hereinafter referred to as " the Foreign Register"), the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as " the Malaysian Register") provided that there shall be no change in the ownership of such shares."

be amended in its entirety and the following substituted therefor:

" (1) Where:-

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with section 14 of the Securities Industry Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities."

7 THAT Article 34 which read

" Where the requirements under (1)(a) and (1)(b) are fulfilled, the Company shall not allow any transmission of shares from the Malaysian Register into the Foreign Register"

be amended by deleting the word " not" in line 1.

8 THAT Article 54 which read:

" An Annual General Meeting and a meeting called for the passing of a special resolution shall be called by twenty-one (21) days' notice in writing at the least, and a meeting of the Company other than an Annual General Meeting and a meeting called for the passing of a special resolution shall be called by fourteen (14) days' notice in writing at the least. The notice convening a meeting to consider a special resolution shall specify the intention to propose the resolution as a special resolution. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of the meeting and, in case of a special business, the general nature of that business and effect of any proposed resolution in respect of such special business shall be given in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting to all the Members (other than those who under the provisions of these Articles

APPENDIX I (CONT'D)

or the conditions of issue of the shares held by them are not entitled to receive the notice) and to the Auditors for the time being of the Company and debenture holders in the event the meeting shall be called for the alteration of the Company's object in accordance with the provisions of Section 28 of the Act regarding notices to the debenture holders. At least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is the Annual General Meeting shall be given by advertisement in the daily press and in writing to the Exchange upon which the Company is listed. Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Article, be deemed to have been duly called if it is so agreed-

be amended by deleting in its entirety and the following substituted therefor:

" An Annual General Meeting and a meeting called for the passing of a special resolution shall be called by twenty-one (21) days' notice in writing at the least. The notice convening a meeting to consider a special resolution shall specify the intention to propose the resolution as a special resolution. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of the meeting and, in case of a special business, the general nature of that business and effect of any proposed resolution in respect of such special business shall be given in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting to all the Members (other than those who under the provisions of these Articles or the conditions of issue of the shares held by them are not entitled to receive the notice) and to the Auditors for the time being of the Company and debenture holders in the event the meeting shall be called for the alteration of the Company's object in accordance with the provisions of Section 28 of the Act regarding notices to the debenture holders. At least twenty-one (21) days' notice shall be given by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper and in writing to the Exchange upon which the Company is listed. Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Article, be deemed to have been duly called if it is so agreed-

9 THAT Article 55(2) of the Articles of Association which read:

" The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors as at a date not less than three (3) market days or such other period as may be prescribed by the Central Depositories Act and/or the Rules before the general meeting (hereinafter referred to as " the General Meeting Record of Depositors")."

be deleted in its entirety and the following substituted therefor:

" the Company shall request the Depository in accordance with the Rules of the Central Depository, to prepare a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than 3 market days before the general meeting (hereinafter referred to as " the General Meeting Record of Depositors")"

10 THAT Article 67 of the Articles of Association which read:

" Subject to any special conditions or restrictions as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Member present shall have one (1) vote, and on poll every Member present in person or by proxy shall have vote for every share held by him in respect of which he is entitled to vote. A proxy shall be entitled to vote on a show of hands on any question at any general meeting. In every notice calling a meeting there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. Where a Member of the Company is an Authorised Nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the Securities Account."

be amended in its entirety and the following substituted therefore:

" Subject to any special conditions or restrictions as to voting upon which any shares may be issued or may for the time being be held, on a show of hands a holder of ordinary shares or preference shares who is personally present

APPENDIX I (CONT'D)

or a Member's representative or proxy or attorney and entitled to vote shall be entitled one(1) vote, and on poll a holder of ordinary shares or preference shares who is personally and entitled to vote or a Members' representative or proxy or attorney and entitled to vote shall have vote for every share held by the Member. A proxy shall be entitled to vote on a show of hands on any question at any general meeting. In every notice calling a meeting there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. Where a Member of the Company is an Authorised Nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the Securities Account."

11 THAT Article 70 which read

" Subject to the Article 55 of these presents, a Member shall be entitled to be present and to vote on a show of hands on any question either personally or by proxy, or as proxy for another Member at any general meeting, or upon a poll and to be reckoned in a quorum in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. No shareholder shall be entitled so to vote or to be recognised in a quorum in respect of any shares upon which any call or other sum so due and payable shall be unpaid.

be amended by deleting the words " a Member" in line 1 and substituted therefor by the words" a holder or ordinary shares or preference shares"

12 THAT Article 79 which read:

" Unless and until otherwise determined by the Company in general meeting, the number of Directors all of whom shall be natural persons shall not be less than three (3) nor more than twelve (12). The first directors of the company at the time of incorporation are:-

be amended by deleting the words " all of whom shall be natural persons" in line 1 and 2.

13 THAT Article 90(a) which read:

" becomes bankrupt or becomes unsound mind;"

be amended by inserting the words " during his term of office:" immediately after the words " unsound mine"

14 THAT a new Article 90(h) which read:

" is convicted by a court of law, whether within Malaysia or elsewhere, in relation to the offences set out in Article 90A below."

be inserted after Article 90(g).

15 THAT a new Article 90A which read:

" No person shall be appointed or is allowed to act as a Director or to be involved whether directly or indirectly in the management of the Company, including acting in an advisory capacity in relation to the Company, if he

(a) has been convicted by court of law, whether within Malaysia or elsewhere, of an offence in connection with the promotion, formation or management of a company;

(b) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence, involving fraud or dishonesty or where the conviction involved a finding that he acted fraudulently or dishonestly; or

APPENDIX I (CONT'D)

(c) has been convicted by a court of law of an offence under the securities laws or the Act, within a period of five (5) years from the date of conviction or if sentenced to imprisonment from the date release from prison, as the case may be.

For the purposes of this Article. "securities laws" means the Securities Industry Act, 1983, the Central Depositories Act 1991, the Securities Commission Act 1993 and the Futures Industry Act 1993 "

be inserted after Article 90.

16 THAT Article 113 of the Articles of Association which read:

"A resolution in writing signed by all the Directors for the time being or their alternates not being less than two Directors shall be valid and effectual as if it had been passed by a meeting of Directors duly convened and held. Any such resolution may consist of several documents in like form each signed by one or more Directors"

be amended by deleting the words "all the Directors" in line 1 and substituted therefor by the words "a majority of the Directors" .

17 THAT a new Article 115A which read:

" No Director shall participate in a share scheme for employees unless the Members in general meeting have approved of the specific allotment to be made to such Director. "

be inserted after Article 115.

18 THAT Article 137 which read:

" A printed copy of annual audited accounts (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Directors' and Auditor's Reports, shall before the date of the meeting be delivered or sent by post to every Member described in the Register and/or the Record of Depositors and every holder of debentures, where applicable, of the Company."

be amended by inserting " either in printed form or in CD-ROM form or in such other form of electronic media," immediately after Auditor's Reports, in line 2 of Article 137.

19 THAT Article 147 be deleted in its entirety and the following substituted therefor:

" The Company shall comply with the provisions of the relevant governing statutes, Regulations and rules as may be amended modified or varied from time to time or any other directive or requirement imposed by the Exchange, the Depositories and other appropriate authorities to the extent required by law notwithstanding any provisions in these Articles to the contrary."

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 Eighth 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 Monday, 25th day of February, 2008, 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 2007 and the Reports of the Directors and Auditors thereon.	Resolution 1		
To re-elect Directors retiring under the Company's Articles of Association:- (a) Dato' Koh Low @ Koh Kim Toon (Article 91) (b) Khairilnual Bin Abdul Rahman (Article 91) (c) Hj Ismail Bin Tunggak @ Hj. Ahmad (Article 91)	Resolution 2 Resolution 3 Resolution 4		
To re-appoint Messrs. John Lim & Associates as auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 5		
To empower the Directors to issue & allot shares up to 10% of the issued share capital of the Company.	Resolution 6		
To empower the Directors to issue & allot shares in connection with the ESOS.	Resolution 7		
To approve the amendments to the Articles of Association of the Company.	Resolution 8		

(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 _____ 2008

Signature of Shareholder or Common Seal

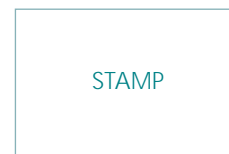
* Strike out whichever is not desired

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.

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UDS CAPITAL BERHAD
(502246-P)

THE SECRETARY
NO. 67, 2ND FLOOR, ROOM B, JALAN ALI
84000 MUAR
JOHOR DARUL TAKZIM

FOLD HERE

