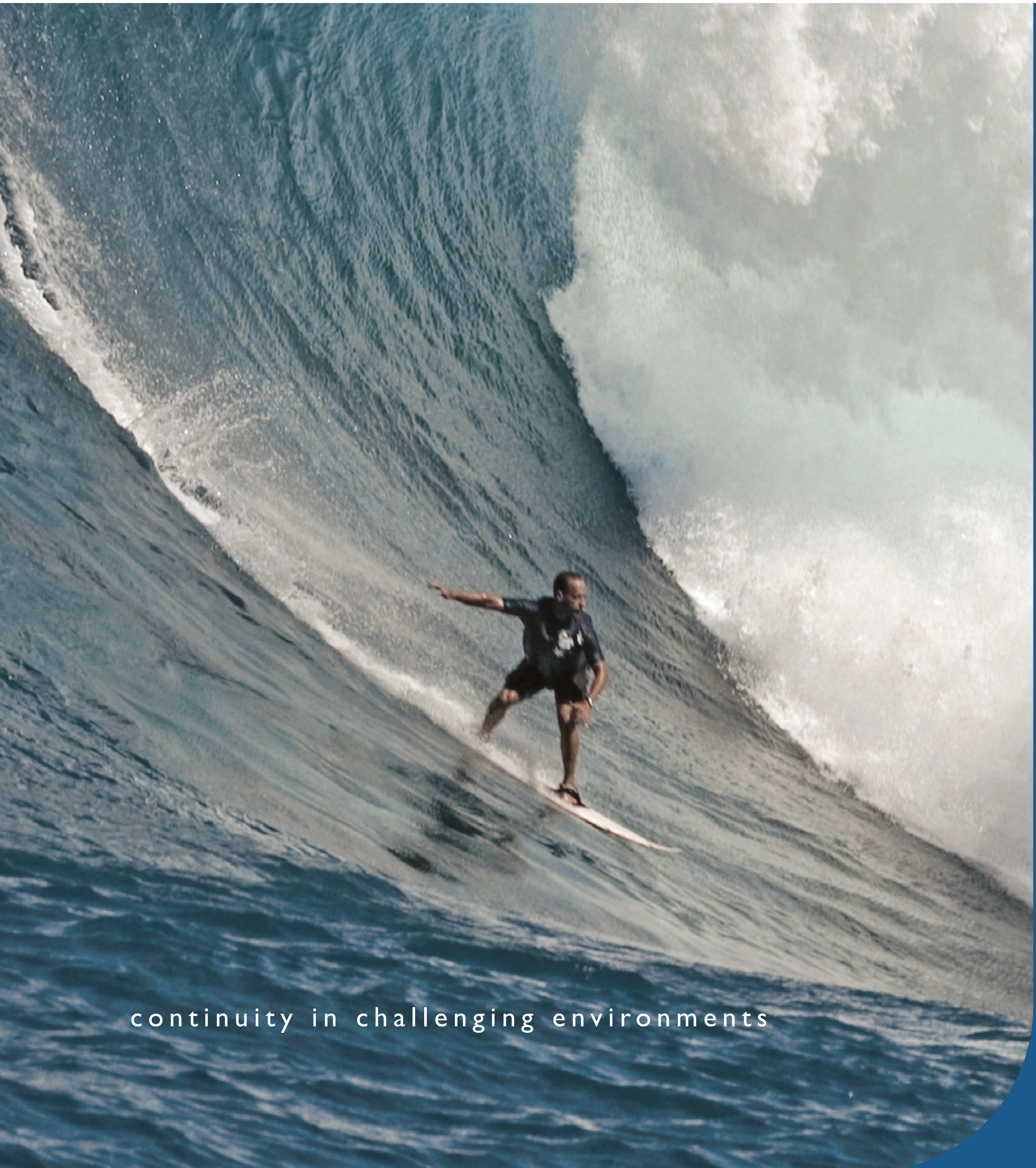
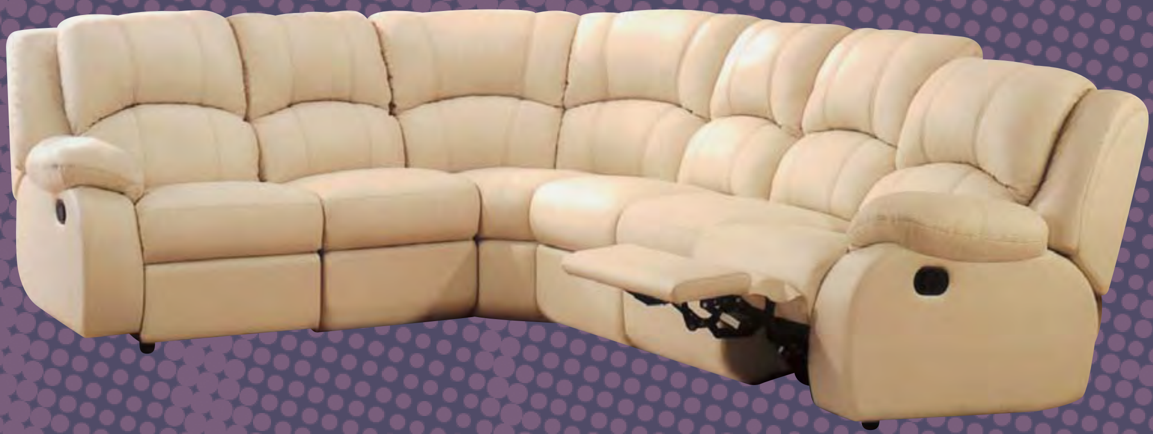
UDS CAPITAL BERHAD 502246-P



annualreport2008

CONTENTS



Continuity in challenging environments

As the world prepares for uncertainties in the near future, we've gone back to our fundamental values of reliability and efficiency. Values that stimulated our growth during good times will be essential in a swirling and volatile environment. The stability it provides will steer us to until the better times arrive.

Corporate Information

DIRECTORS

Dato' Koh Low @ Koh Kim Toon
Executive Chairman

Neo Chee Kiat
Managing Director

Dato' Seri 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

Khairilanuar Bin Abdul Rahman
Independent Non-Executive Director

Hj Ismail Bin Tunggak @ Hj Ahmad
Independent Non-Executive Director

AUDIT COMMITTEE

Teh Eng Aun
Committee Chairman
Khairilanuar 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' Seri Tan King Tai @ Tan Khoon Hai

SECRETARY

Tan Wang Giap
MACS 00523

AUDITORS

John Lim & Associates
Chartered Accountants

PRINCIPAL BANKERS

Malayan Banking Berhad
Maybank Islamic Berhad
OCBC Bank (M) Berhad
Public Bank Berhad
AmBank (M) Berhad
AmIslamic Bank Berhad

SOLICITORS

Chris Lee & Partners

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

Corporate Structure

UDS

100%
SYARIKAT U.D. TRADING SDN. BHD.
("UDT") (85023-X)

65%*
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)

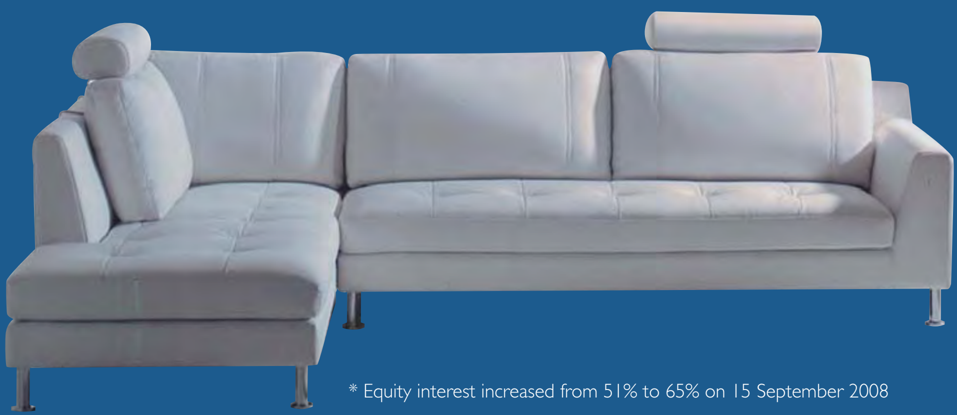
100%
U.D. WOOD PRODUCTS SDN. BHD.
("UDW")
(402592-K)

100%
SIN WEE SENG INDUSTRIES SDN. BHD.
("SWS") (345865-A)

100%
ORIENA INDUSTRY SDN. BHD.
("ORI") (266086-T)

100%
STARLIGHT INDUSTRY SDN. BHD.
("SI") (267560-M)

51%
POH KEONG INDUSTRIES SDN BHD
("PKI") (286999-X)



* Equity interest increased from 51% to 65% on 15 September 2008

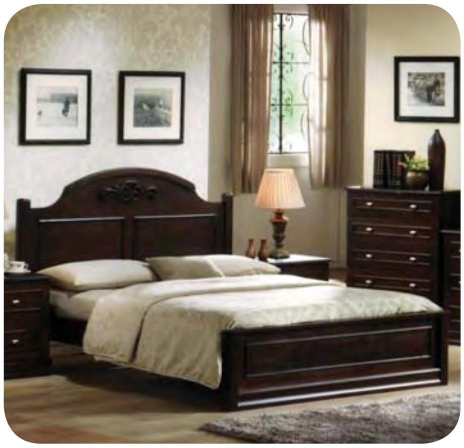
Chairman's Statement

Y.Bhg. Dato' Koh Kim Toon
Group Executive Chairman

On behalf of the UDS Capital Berhad ("UDS") Board of Directors ("the Board"), I am pleased to present you the annual report and the audited financial statements of the Group and the Company, for the year ended 31 August 2008.

Industry Trend and Corporate Development

The financial year under review was challenging. The global economy is under threat of a recession with contagion from the US financial chaos spreading worldwide. The housing market continues to struggle with huge oversupply of housing inventory, with home sales remain significantly low level.



Our major export markets, i.e. Japan and Europe, did not spare from the crisis either. Japan has reported a contraction and Europe is coming to a standstill. The housing starts in Japan had also weakened to below 1.0 million units per month due to the implementation of new housing code by the Japanese authorities which resulted in an overstock position. As a result, our Japan export sales dropped by

The Group persisted in strengthening its distribution network and ensured product quality meets customers' requirement.

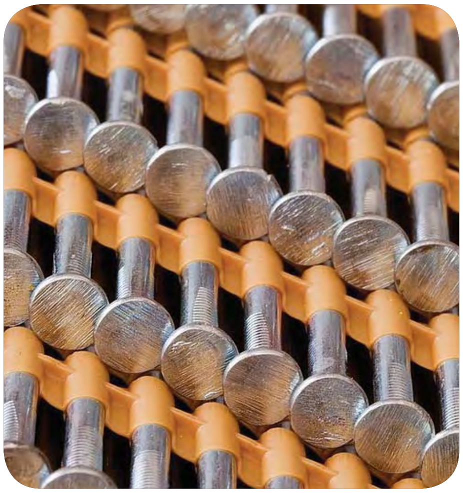
43.3% to RM19.6 million for the current financial year. The Group's export volume to Japan was 27.4% of its total export sales, down from 45.1% previously.

Nevertheless, the Group persisted in strengthening its distribution network and ensured product quality meets customers' requirement. In its effort to seek market diversification, the Group also focuses in expanding market presence in Europe. Sales to Europe increased to RM24.1 million for the current financial year from RM12.6 million previously.

The Company's wholly-owned subsidiary, Syarikat U.D. Trading Sdn Bhd has on 15 September 2008 acquired additional 14.0% equity stake in Syarikat U.D. Trading Corporation Sdn Bhd for a cash consideration of RM14,000, resulting the equity interest increased to 65.0% from 51.0% previously. The company supplies, prefabricates, designs and manufactures log houses equip with Europe technology. It has recently secured a contract worth more than RM10.0 million, to be completed over the next 12 months in Melaka.

Performance and Financial Review

The Group's revenue for the year ended 31 August 2008 increased to RM139.5 million compared to RM135.9 million recorded in the previous



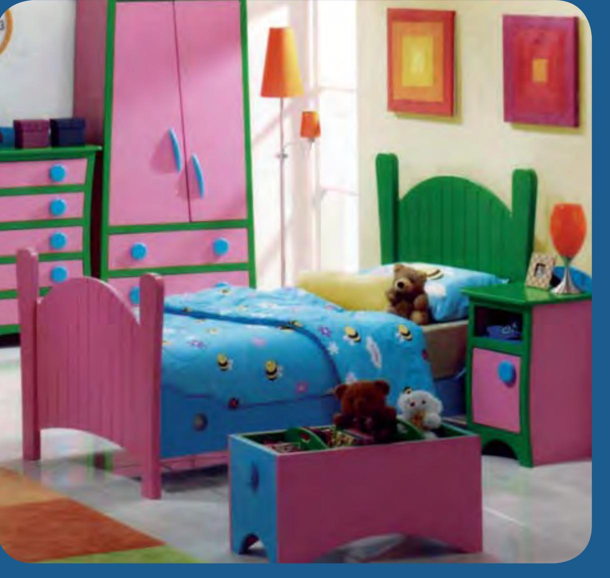
financial year. Group's effort in seeking market diversification proved to be fruitful. Despite significant drop in our Japan's market, our total export sales merely dropped by 6.6% to RM71.6 million. This was due to the low Ringgit proceeds as a result of the weakening of major currencies against the Malaysian currency.

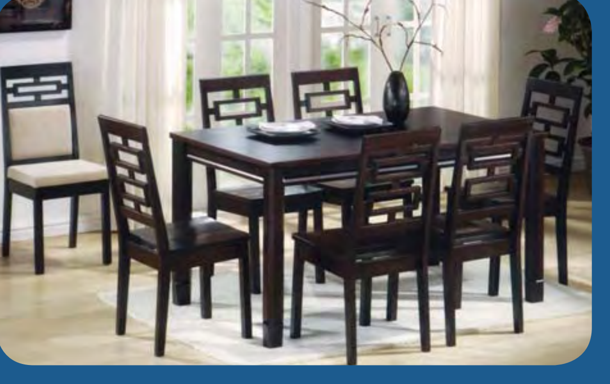
Our local sales were encouraging, improved by 14.7% to RM68.0 million. In addition to the higher average selling prices, the Group's rationalization to integrate the whole manufacturing and marketing of furniture and lamination process under one roof while the veneering process was stand alone by itself, had contributed positively to the local sales.

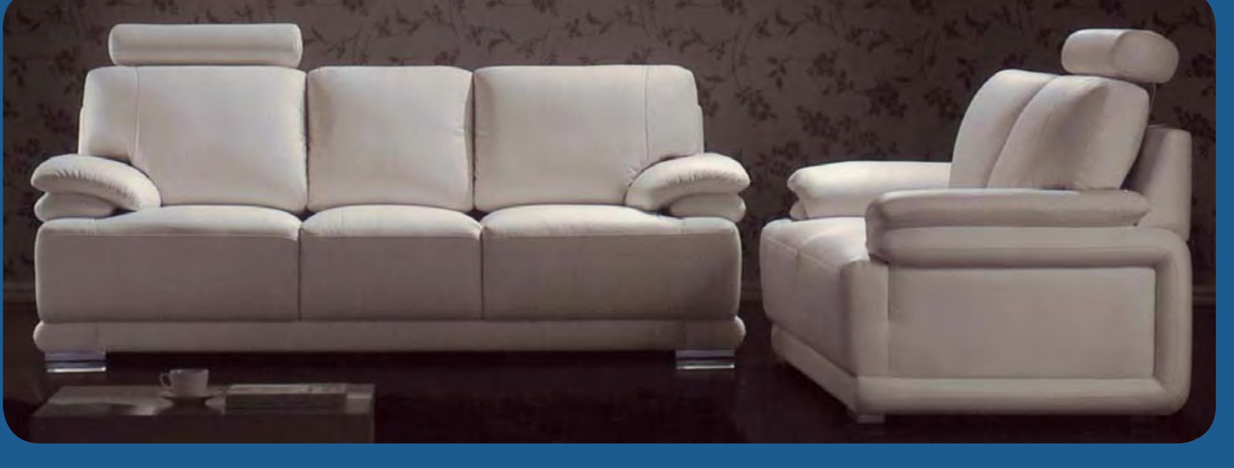
Despite our effort to increase our top line, we faced uphill battles. Loss before taxation widen to RM8.7 million in the financial year under review from RM2.1 million previously. Cost across the board continues to rise, from cost of raw material to cost of distribution. This phenomenal together with the strengthening of the Ringgit against the USD currency had tapered the margin.

Further, the newly incorporated log house manufacturing subsidiary still reported a loss before taxation of RM0.8 million due to the long learning curve and shortage of skilled labour. Compounding this with additional doubtful debt provision of RM0.9 million had put great pressure to our bottom lines.

Given the many challenges that we face, we will continue to carve a clear and distinctive positioning in the market place.







Dividends

Loss for the year increased to RM7.7 million in the current financial year as compared to RM2.5 million losses in the previous financial year.

The Board does not recommend any payment of dividends in respect of the financial year ended 31 August 2008.

Prospects

The furniture market place is becoming more competitive than even given the supply meets limited demand. The US subprime-led economic downturn has spread to other major developed countries. The World Bank has lowered its global economic growth to 1% for 2009. Growth forecast for high income economies, including Japan, Europe and the US to contract 0.1%. The latest statistics showed that the euro zone economy had entered into a recession, with its GDP growth declining 0.2% in both 2Q2008 and 3Q2008. On the other hand, Japan did not escape from recession either, with its GDP reported a negative growth of 0.1% in 3Q2008 following by a 0.9% drop in 2Q2008. Its consumer confidence level also fell to 29.4 points in October 2008, the lowest level since 1982. All these are indicating a weaker export market demand in the next 12 months.

Given the many challenges that we face, we will continue to carve a clear and distinctive positioning in the market place. We will continue to invest in R&D, and to explore new and innovative ways to meet customers' demand as well as further diversify our customer base geographically. We continue to focus on productivity and efficiency due to the significant increase in operating costs. More importantly, we will look for opportunities to pass on some of our increasing costs on to the customers via replacing old models with new models.

The Group continues to consolidate its operations to ensure the business remains viable. This may include but not limited to disposing non-core assets and reducing gearing.

Given the diversified customer based geographically together with the current weakening Ringgit trend against the USD currency, we expect the Group should be able to ride through during this challenging period.

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.

I also appreciate the longstanding support, co-operation and guidance of our valued customers, suppliers, business associates, bankers, shareholders and regulatory authorities for your confidence and support to the Board and management team.

And finally, I would like to extend my appreciation to my fellow members of the Board. Your collective support and encouragement together with the valuable advice has been the beacon that has taken us through this challenging period.

Y.Bhg. Dato' Koh Kim Toon
Group Executive Chairman
31 December 2008

Director's Profile

Dato' Koh Low @ Koh Kim Toon

Executive Chairman

Aged 56, 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 25 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 UDS Group of Companies ("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 38, 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 19 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' Seri Tan King Tai @ Tan Khoon Hai

Executive Director

Aged 53, a Malaysian, was appointed as the Executive Director of UDS since 30 November 2003 and is presently a member of the Remuneration Committee as well as Employees' Share Option Scheme Committee. 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 29 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 and Main Board of the BMSB respectively. 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 62, a Malaysian, was appointed as the Executive Director of UDS since 30 November 2003. He is the founder of SWS. He has more than 43 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.

Ng Sey Wee @ Ang Seh Wee

Executive Director

Aged 62, a Malaysian, was appointed as the Executive Director of UDS since 30 November 2003. He has approximately 13 years of working experience in the furniture industry and is involved in the daily operations of the wood-based furniture, fixture and accessories division of the 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.

Director's Profile (cont'd)

Teh Eng Aun
Independent Non-Executive Director

Aged 57, a Malaysian, was appointed as the Independent Non-Executive Director of UDS on 30 November 2003 and is presently the Chairman of the Audit Committee member as well as member of the Nomination Committee and Remuneration Committee. 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 24 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.

Khairilanuar Bin Abdul Rahman
Independent Non-Executive Director

Aged 43, 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 58, a Malaysian, was appointed as the Independent Non-Executive Director of UDS since 30 November 2003 and is presently the Chairman of both the Nomination Committee and Remuneration Committee. 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 60, a Malaysian, was appointed as the Non-Independent Non-Executive Director of UDS since 1 March 2006. He has approximately 32 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, has applied the Principles and the extend to which it has complied with the Best Practices as set out in part 1 and part 2 of the Malaysian Code on Corporate Governance (Revised 2007) ("the Code") throughout the financial year ended 31 August 2008.

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, An Independent Non-Executive Director was appointed as the Chairman of the Audit Committee 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.

The Board also appointed Mr. Teh Eng Aun as a Senior Non-Executive Director to whom concerns may be conveyed.

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' Seri Tan King Tai @ Tan Khoon Hai	4 of 4
Mr. Neo Tiam Hock	4 of 4
Mr. Ng Sey Wee @ Ang Seh Wee	3 of 4
Non-Executive Directors	
Mr. Teh Eng Aun	4 of 4
En. Khairilanuar 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 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 accessed 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 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. The details of relevant training attended by each director are disclosed in the Audit Committee Report herein.

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 abstaining from discussion of their own remuneration.

The members are :

Chairman
Hj Ismail Bin Tunggak @ Hj Ahmad
Independent Non-Executive Director

Member
Mr. Teh Eng Aun
Independent Non-Executive Director

Dato' Seri 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' Seri 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 22 December 2003. The Board has on 25 April 2008, resolved to adopt the Revised Terms of Reference for the committee to carry out its responsibilities and functions. The Terms of Reference is disclosed in the Audit Committee Report herein.

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 23 (b) of the Notes to the Financial Statement herein.

The Board has considered the Code's principles B III requiring the disclosure of details of the remuneration of each director against the backdrop of compliance with a related disclosure required under the Listing Requirements of the BMSB, that is, the disclosure of an analysis of Directors' remuneration by application bands of RM50,000. The Board is of view that the transparency and accountability aspects of corporate governance as applicable for Directors' Remuneration are adequately served by the "band disclosures" made.

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.

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 financial statements are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. The Board considers that in preparing the financial statements and announcements, the Group has used appropriate accounting policies and standards, consistently applied and supported by reasonable judgments and estimates.

2) Internal Control

The Board 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.

AuditCommitteeReport

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 2008 are as follows:-

Member	Designation
Mr. Teh Eng Aun	Chairman *Independent Non-Executive Director*
En. Khairilanuar Bin Abdul Rahman	Member *Independent Non-Executive Director*
Hj Ismail Bin Tunggak @ Hj Ahmad	Member *Independent Non-Executive Director*

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 and all members shall be Non-Executive Director.

All members of the Committee shall be financially literate and at least one member of the 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. The agenda for the Committee meetings shall be circulated before each meeting to members of the Committee. Upon request of any of its members or the internal or external auditors, the Chairman of the Committee shall convene a meeting of the Committee.

The Chairman of the Committee should engage on a continuous basis with senior management and the external auditors in order to be kept informed of matters affecting the Company.

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 head of finance, the head of internal audit and a representative of the external auditors shall normally attend meetings. The Committee may invite any person to be in attendance to assist in its deliberations. Other Board members may attend meetings upon the invitation of the Committee. The Committee shall meet with the external auditors without executive board members present at least twice a year

7) Duties and activities

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, competency, 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.
- Report promptly to BMSB if it is of the view that a matter reported by it to the Board not been satisfactorily resolved resulting in breach of the Listing Requirements.
- Carry out any other functions as may be determined by the Board from time to time.

MEETING AND ATTENDANCE

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	4 of 4
Encik Khairilanuar Bin Abdul Rahman	2 of 4
Hj Ismail Bin Tunggak @ Hj Ahmad	4 of 4

DIRECTORS' TRAINING

The details of the relevant trainings attended by each director during the current financial year are as follow :-

Training programmers attended	Date
Dato' Koh Low @ Koh Kim Toon	
2008 Budget Seminar	18-Sep-07
Income Reconstruction, Draft Guidelines on Due Diligence, Service Tax	13-Dec-07
Single Tier Tax Mechanism & Recent Tax Development	10-May-08
Mr. Neo Chee Kiat	
Reinvestment Allowance and Single Tier Taxation System	17-Jul-08
Dato' Seri Tan King Tai @ Tan Khoon Hai	
Revised Code of Corporate Governance & Amendments to the Companies Act, 1965	28-Nov-07
Income Reconstruction, Draft Guidelines on Due Diligence, Service Tax	13-Dec-07
Mr. Neo Tiam Hock	
2008 Budget Seminar	18-Sep-07
Reinvestment Allowance and Single Tier Taxation System	17-Jul-08
Mr. Ng Sey Wee @ Ng Seh Wee	
Preparation of Quarterly Interim Financial Reporting	1-Apr-08
Single Tier Tax Mechanism & Recent Tax Development	10-May-08
Mr. Teh Eng Aun	
Income Reconstruction, Draft Guidelines on Due Diligence, Service Tax	13-Dec-07
Single Tier Tax Mechanism & Recent Tax Development	10-May-08
Encik Khairilanuar Bin Abdul Rahman	
Income Reconstruction, Draft Guidelines on Due Diligence, Service Tax	13-Dec-07
Single Tier Tax Mechanism & Recent Tax Development	10-May-08
Hj Ismail Bin Tunggak @ Hj Ahmad	
Single Tier Tax Mechanism & Recent Tax Development	10-May-08
The Inside Story of the annual Report	26-Jun-08
Mr. Ng Ah Leet @ Ah Heet	
2008 Budget Seminar	18-Sep-07
Preparation of Quarterly Interim Financial Reporting	1-Apr-08

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Board of Directors acknowledges that it is responsible for maintaining a sound system of internal controls which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines to safeguard shareholders' investment and the Group's assets.

The Company has engaged an external independent internal audit service provider at an annual professional fee of RM25,000 on 22 July 2008. The internal audits are undertaken to provide independent assessments on the adequacy and effectiveness of the risk management, internal control and governance processes within the Group.

The Committee is assisted by the internal auditors in discharging its duties and responsibilities with respect to the adequacy and integrity of the system of internal controls within the Group. The internal auditors adopt a risk-based approach by focusing on:

- reviewing identified high risk areas for compliance with control policies and procedures; identifying business risks which have not been appropriately addressed; and evaluating the adequacy and integrity of controls.

- The internal auditors carry out audit assignment based on an audit plan that is reviewed and approved by the Committee. The reports of the audits undertaken were forwarded to the Committee for deliberation and approval.

The internal auditors have undertaken a review on the Company's compliance in applying the Principles and Best Practices based on the Code and Chapter 15 of the Listing Requirements of BMSB.

Recommendation were made to the Board for areas that need improvement.

ESOS STATEMENT

The allocation of the ESOS is disclosed in Note 15 (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 27 of this annual report.

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 Internal Audit 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 2008.

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 evaluation and management of significant risk are 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 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.

INTERNAL AUDIT FUNCTION

The Board outsourced its internal audit function to a professional services firm which is independent of the activities or operations of the Group. The internal auditors report directly to the Audit Committee and assist the Audit Committee in discharging its duties and responsibilities.

The internal audit team provides an independent assessment on the adequacy and effectiveness of the Group internal control system. The internal audit focuses on regular and systematic reviews of the systems of financial and operational internal control in anticipating potential risk exposures over key business processes and controlling proper conduce of business of the Group.

Statement On Internal Control (cont'd)

The internal auditors adopt a risk-based approach and prepare the audit plan based on the risk assessment and evaluation of the Group. The internal audit plan is reviewed and approved by the Audit Committee. The outsourced internal auditors have completed the review on the compliance level of the Group compared with the Code on 20 October 2008 and presented the report to the Audit Committee.

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.

There were no material losses incurred during the financial year under review as a result of weaknesses in internal control. The management continues to take measures to strengthen the control environment.

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 RM24,275 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.

Other Disclosure Requirements (cont'd)

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 Financial Reporting Standards and the Companies Act 1965 in Malaysia.

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.

StatementOfCorporateSocialResponsibility

The Group recognizes the importance of fulfilling its corporate social responsibility towards the betterment of community, environment and workplace of its employees.

Community

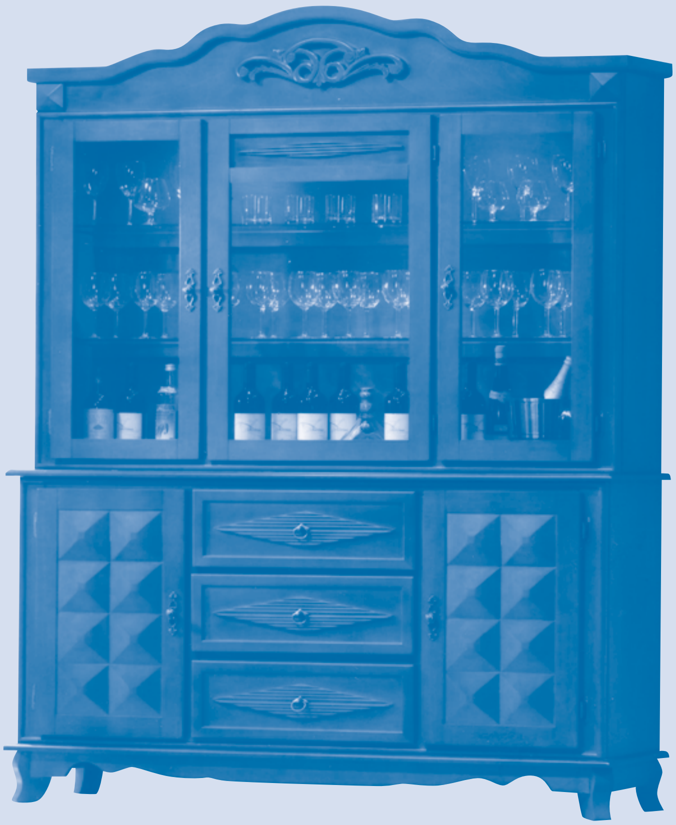
As an integral part of the communities in which we operate, the Group continues its effort in caring for the people in need, actively participating in and supporting different charity projects. During the year, the Group has contributed funds to the flood victims in Johor and various charity organizations around the town which we are in.

Environment

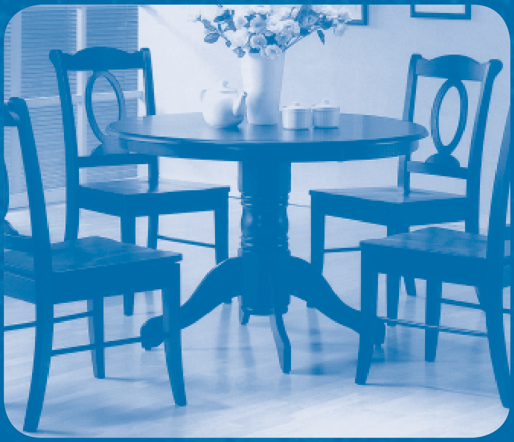
The Group is supportive of all efforts to reduce wastage, to dispose wastage properly and to optimize efficiency in our operations. Employees are encouraged to participate in environmental activities and to develop keen awareness in the areas of concerns. The Group ensured the compliance of all environment laws and regulations. It continues to work closely with regulators and industry partners in providing technical expertise and support to identify areas of improvement for resources and waste management in our ground operations and offices. Measures taken such as recycling waste materials and usage of electrical instead of fuel consumed forklift.

Workplace

Group's success comes from people. The Group strived to ensure a creation of a safe and healthy working environment for its employees to work in. Our Occupational Safety and Health Committee are encouraged to invite qualified consultants or professionals to conduct testing and training to further improve the workplace and welfare of employees. The activities include regular fire drills training, health inspection and fire fighting equipment inspection.



FINANCIAL STATEMENTS



Directors' Report

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 financial year ended 31 August 2008.

PRINCIPAL ACTIVITIES
The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are as set out in note 7 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

	Group	Company
	RM	RM
Loss for the financial year	(7,700,690)	(1,383,990)
Attributable to:		
Equity holders of the Company	(7,339,523)	(1,383,990)
Minority interests	(361,167)	-
	(7,700,690)	(1,383,990)

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 15 (i) to the financial statements.

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

			Number of unissued ordinary shares under ESOS		
Date granted	**Expiry date**	**Exercised price per share**	**01 September 2007**	**Exercised**	**31 August 2008**
		RM			
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 2008, 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 15 (ii) to the financial statements.

The summary of movements of warrants is as follows:-

		Number of warrants		
Date of issue	**Exercise price per warrant**	**01 September 2007**	**Exercised**	**31 August 2008**
	RM			
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' Seri Tan King Tai @ Tan Khoon Hai
Neo Tiam Hock
Ng Sey Wee @ Ang Seh Wee
Teh Eng Aun
Ng Ah Leet @ Ah Heet
Khairilanuar Bin Abdul Rahman
Hj Ismail Bin Tunggak @ Hj Ahmad

In accordance with the Company's articles of association, Messrs. Neo Chee Kiat, Dato' Seri Tan King Tai @ Tan Khoon Hai and Neo Tiam Hock retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

REMUNERATION COMMITTEE

Remuneration committee comprises:
Chairman : Hj Ismail Bin Tunggak @ Hj Ahmad (Independent Non-Executive Director)
Members : Mr. Teh Eng Aun (Independent Non-Executive Director)
: Dato' Seri Tan King Tai @ Tan Khoon Hair (Executive Director)

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 2007	**Bought**	**Sold**	**31 August 2008**
Direct interest				
Dato' Koh Low @ Koh Kim Toon	23,795,924	711,400	(500,000)	24,007,324
Neo Chee Kiat	5,858,210	-	-	5,858,210
Dato' Seri Tan King Tai @ Tan Khoon Hai	3,855,520	784,600	-	4,640,120
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	-	(100,000)	2,166,494
Khairilanuar Bin Abdul Rahman	60,000	-	-	60,000

DIRECTORS' SHAREHOLDINGS (cont'd)

	Number of ordinary shares of RM0.50 each			
	01 September 2007	Bought	Sold	31 August 2008
Indirect interest				
Dato' Koh Low @ Koh Kim Toon	330,050	-	-	330,050
Neo Chee Kiat	10,000	-	-	10,000
Dato' Seri Tan King Tai @ Tan Khoon Hai	853,650	364,400	-	1,218,050
Neo Tiam Hock	7,331,518	-	-	7,331,518

	Number of options over ordinary shares of RM0.50 each		
	01 September 2007	Granted/Exercised	31 August 2008
Direct interest			
Dato' Koh Low @ Koh Kim Toon	225,372	-	225,372
Neo Chee Kiat	225,372	-	225,372
Dato' Seri 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	135,223	-	135,223
Khairilanuar Bin Abdul Rahman	135,223	-	135,223
Hj Ismail Bin Tunggak @ Hj Ahmad	135,223	-	135,223
Indirect interest			
Dato' Koh Low @ Koh Kim Toon	225,372	-	225,372
Neo Tiam Hock	355,586	-	355,586

	Number of warrants		
	01 September 2007	Bought/Sold/Exercised	31 August 2008
Direct interest			
Dato' Koh Low @ Koh Kim Toon	261,967	-	261,967
Neo Chee Kiat	68	-	68
Dato' Seri Tan King Tai @ Tan Khoon Hai	913,182	-	913,182
Neo Tiam Hock	431,149	-	431,149
Ng Sey Wee @ Ang Seh Wee	85	-	85
Indirect interest			
Dato' Koh Low @ Koh Kim Toon	105,275	-	105,275
Dato' Seri Tan King Tai @ Tan Khoon Hai	235,375	-	235,375
Neo Tiam Hock	952	-	952

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 23 (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 28 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 there were no known bad debts and that adequate allowance for doubtful debts had been made; and

    (ii) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances:

    (i) which would require any amounts to be written off for bad debts or would render the amounts 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.

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

(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 EVENTS DURING THE FINANCIAL YEAR

a) On 11 September 2007, a subsidiary company has entered into a Sale and Purchase Agreement to dispose three parcels of freehold land with a carrying value of approximately RM1.4 million for a total sales consideration of approximately RM1.4 million. The transaction has been completed during the financial year.

b) On 30 June 2008, a subsidiary company has entered into a Sale and Purchase Agreement to dispose two units of freehold warehouses with a carrying value of approximately RM710,000 for a total sale consideration of approximately RM800,000.

As at the date of this report, the transaction has not been completed yet.

c) On 29 August 2008, a subsidiary company has entered into Settlement Agreement to settle part of the outstanding balance owing by two suppliers amounting to RM2,282,824 by acquiring two parcels of vacant freehold industrial land from the supplier concerned.

As at the date of this report, the transaction has not been completed yet.

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

On 15 September 2008, a subsidiary company, Syarikat U.D. Trading Sdn. Bhd. has increased its investment in subsidiary company, Syarikat U.D. Trading Corporation Sdn. Bhd. by subscribing for 14,000 ordinary shares of RM1 each at par. As a result, the effective interest has increased from 51% to 65% since then.

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' Seri Tan King Tai @ Tan Khoon Hai
Director

Muar

Date: 4 December 2008

Statement By Directors

We, the undersigned, being two of the directors of UDS Capital Berhad do hereby state that, in the opinion of the directors, the accompanying balance sheets, statements of income, of changes in equity and of cash flow together with the notes attached thereto are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 August 2008 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed in accordance with a resolution of the directors.

Dato' Koh Low @ Koh Kim Toon
Director

Dato' Seri Tan King Tai @ Tan Khoon Hai
Director

Date: 4 December 2008

Statutory Declaration

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

Subscribed and solemnly declared)
by the abovenamed at Muar in the)
State of Johore on 4 December 2008)

Dato' Seri Tan King Tai @ Tan Khoon Hai

Before me,
Hj Salleh Bin Jamal
(No J120)
Commissioner for Oaths

Independent Auditors' Report to the member of UDS Capital Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of UDS Capital Berhad, which comprise the balance sheet as at 31 August 2008 of the Group and of the Company, and the income statements, statement of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 103.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 August 2008 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act 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 Act.

b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in note 7 to the financial statements.

c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

JOHN LIM & ASSOCIATES
A.F. No. 0393
Chartered Accountants

FOO KEE FATT
1923/06/09(J)
Partner

Date: 4 December 2008

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

Phone : 06-9515317 / 9523513
Fax : 06-9545393
E-mail : johnlws@tm.net.my

Consolidated Balance Sheet
As at 31 August 2008

	Note	2008 RM	2007 RM (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5	45,504,932	47,106,357
Prepaid lease payments	6	2,350,245	2,378,040
Investment properties	8	3,929,984	3,969,984
Other investments	9	1,523,475	1,675,277
		53,308,636	55,129,658
Current assets			
Inventories	10	38,065,193	39,479,238
Receivables	11	33,375,465	33,054,408
Tax assets	13	1,182,693	1,943,504
Fixed deposits with licensed banks	14	2,738,112	4,957,154
Cash and bank balances		4,644,619	6,511,372
		80,006,082	85,945,676
TOTAL ASSETS		133,314,718	141,075,334
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	15	63,252,750	63,252,750
Reserves	16	(2,543,742)	4,795,781
		60,709,008	68,048,531
Minority interests		2,494,577	2,855,744
Total equity		63,203,585	70,904,275
LIABILITIES			
Non-current liabilities			
Borrowings	17	4,245,983	4,743,111
Deferred taxation	19	112,351	1,201,770
		4,358,334	5,944,881
Current liabilities			
Payables	20	20,583,260	17,264,066
Tax liabilities	13	119,763	1,113
Borrowings	17	45,049,776	46,960,999
		65,752,799	64,226,178
Total liabilities		70,111,133	70,171,059
TOTAL EQUITY AND LIABILITIES		133,314,718	141,075,334

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

Consolidated Income Statement

For The Financial Year Ended 31 August 2008

	Note	2008 RM	2007 RM (restated)
Revenue	21	139,526,621	135,885,202
Cost of sales		(127,250,553)	(118,436,794)
Gross profit		12,276,068	17,448,408
Other income	22	1,217,049	1,655,447
Administrative expenses		(11,953,603)	(10,304,038)
Selling and distribution expenses		(7,638,259)	(7,591,815)
Other expenses		(579,839)	(1,147,759)
Operating (loss)/profit	23	(6,678,584)	60,243
Finance costs	24	(2,026,933)	(2,185,811)
Loss before taxation		(8,705,517)	(2,125,568)
Income tax expenses	13	1,004,827	(334,995)
Loss for the financial year		(7,700,690)	(2,460,563)
Attributable to:			
Equity holders of the Company		(7,339,523)	(2,551,646)
Minority interests		(361,167)	91,083
		(7,700,690)	(2,460,563)
Loss per share attributable to equity holders of the Company (sen)	25		
- basic		(5.8)	(2.0)
- diluted		(5.8)	(2.0)

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

Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 August 2008

	Note	← Attributable to equity holders of the Company →					
			Non-Distributable				
		Share capital	Share premium	Accumulated losses	Total	Minority interests	Total equity
		RM	RM	RM	RM	RM	RM
As at 01 September 2006		63,252,750	12,494,536	(5,147,109)	70,600,177	35,032	70,635,209
Loss for the financial year, representing total recognised income and expense for the financial year		-	-	(2,551,646)	(2,551,646)	91,083	(2,460,563)
Minority interests arising on business combination	26(b)	-	-	-	-	2,680,678	2,680,678
Subscription of shares in subsidiary company by minority interests		-	-	-	-	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
As at 01 September 2007		63,252,750	12,494,536	(7,698,755)	68,048,531	2,855,744	70,940,275
Loss for the financial year, representing total recognised income and expense for the financial year		-	-	(7,339,523)	(7,339,523)	(361,167)	(7,700,690)
As at 31 August 2008		63,252,750	12,494,536	(15,038,278)	60,709,008	2,494,577	63,203,585

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

Consolidated Cash Flow Statement

For The Financial Year Ended 31 August 2008

	Note	2008 RM	2007 RM (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(8,705,517)	(2,125,568)
Adjustments for:			
Allowance for doubtful debts		907,794	177,623
Amortisation of prepaid lease payments		27,795	28,359
Bad debts written off		-	415,542
Depreciation		3,268,985	3,056,286
Fair value adjustment on investment properties		40,000	-
Impairment loss on property, plant and equipment		-	318,403
Impairment loss on other investments		151,802	210,000
Interest expenses		2,026,933	2,185,811
Inventories written down		-	38,759
Investment written off		-	5,000
Loss on disposal of property, plant and equipment		-	4,959
Property, plant and equipment written off		1,596	-
Unrealised foreign exchange loss		6,927	32,708
Allowance for doubtful debts no longer required		(163,714)	(296,924)
Dividend income		(76,841)	(60,508)
Gain on disposal of property, plant and equipment		(145,390)	(19,000)
Gain on disposal of quoted investments		-	(37,535)
Interest income		(119,944)	(224,992)
Negative goodwill written off		-	(78,093)
Operating (loss)/profit before working capital changes		(2,779,574)	3,630,830
Decrease/(increase) in inventories		1,414,045	(1,429,596)
(Increase)/decrease in receivables		(1,108,118)	3,014,987
Increase/(decrease) in payables		3,312,267	(1,481,521)
Decrease in directors' current accounts		-	(97,671)
Cash generated from operations		838,620	3,637,029
Income tax paid	13	(238,727)	(813,310)
Income tax refund	13	1,038,120	1,230,868
Interest paid		(2,026,933)	(2,185,811)
Net cash (used in)/from operating activities		(388,920)	1,868,776

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

Consolidated Cash Flow Statement (cont'd)

	Note	2008	2007
		RM	RM
			(restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary company	26(c)	-	(2,403,222)
Additions to investment properties		-	(14,984)
Purchase of quoted investments		-	(74,348)
Purchase of property, plant and equipment	27(a)	(2,167,181)	(7,986,324)
Dividend received		72,317	55,783
Proceeds from disposal of property, plant and equipment		1,747,715	1,536,076
Proceeds from disposal of quoted investment		-	250,211
Net cash used in investing activities		(347,149)	(8,636,808)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loan		-	4,300,000
Net changes in short term borrowings		(2,173,586)	3,495,830
Repayment of term loans		(1,070,212)	(806,470)
Repayment of hire purchase payables		(941,513)	(974,429)
Withdrawal of fixed deposits		2,709,052	421,220
Placement of fixed deposits		(490,010)	(159,437)
Interest received		162,925	218,688
Proceeds from issuance of shares to minority interest		-	48,951
Net cash (used in)/from financing activities		(1,803,344)	6,544,353
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,539,413)	(223,679)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		5,259,062	5,482,741
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	27(b)	2,719,649	5,259,062

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

Balance Sheet
As At 31 August 2008

	Note	2008 RM	2007 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,027	7,107
Investment in subsidiary companies	7	35,960,246	37,360,246
		35,966,273	37,367,353
Current assets			
Receivables	11	1,000	1,000
Amounts due by subsidiary companies	12	24,682,052	24,644,052
Tax asset	13	43,298	44,798
Cash and bank balances		182,382	206,265
		24,908,732	24,896,115
TOTAL ASSETS		60,875,005	62,263,468
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Share capital	15	63,252,750	63,252,750
Reserves	16	(2,505,856)	(1,121,866)
Total equity		60,746,894	62,130,884
LIABILITIES			
Current liability			
Payables	20	128,111	132,584
Total liabilities		128,111	132,584
TOTAL EQUITY AND LIABILITIES		60,875,005	62,263,468

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

Income Statement
For The Financial Year Ended 31 August 2008

	Note	2008 RM	2007 RM
Revenue	21	263,000	335,479
Administrative expenses		(243,929)	(312,111)
Other expenses		(1,403,061)	(3,489,496)
Operating loss	23	(1,383,990)	(3,466,128)
Finance costs	24	-	-
Loss before taxation		(1,383,990)	(3,466,128)
Income tax expenses	13	-	(19,886)
Loss for the financial year		(1,383,990)	(3,486,014)
Attributable to:			
Equity holders of the Company		(1,383,990)	(3,486,014)

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

Statement Of Changes In Equity

For The Financial Year Ended 31 August 2008

	Share capital RM	Non-distributable Share premium RM	Accumulated losses RM	Total equity RM
As at 01 September 2006	63,252,750	12,494,536	(10,130,388)	65,616,898
Loss for the financial year, representing total recognised income and expense for the financial year	-	-	(3,486,014)	(3,486,014)
As at 31 August 2007	63,252,750	12,494,536	(13,616,402)	62,130,884
As at 01 September 2007	63,252,750	12,494,536	(13,616,402)	62,130,884
Loss for the financial year, representing total recognised income and expense for the financial year	-	-	(1,383,990)	(1,383,990)
As at 31 August 2008	63,252,750	12,494,536	(15,000,392)	60,746,894

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

Cash Flow Statement
For The Financial Year Ended 31 August 2008

	Note	2008 RM	2007 RM (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,383,990)	(3,466,128)
Adjustments for:			
Depreciation		1,080	1,080
Impairment loss on investment in subsidiary companies		1,400,000	3,276,859
Impairment loss on other investments		-	210,000
Dividend income		(263,000)	(335,479)
Operating loss before working capital changes		(245,910)	(313,668)
Decrease in receivables		-	3,712,000
(Decrease)/increase in payables		(4,473)	20,416
Cash (used in)/generated from operations		(250,383)	3,418,748
Income tax paid	13	-	(1,500)
Income tax refund	13	1,500	-
Net cash (used in)/from operating activities		(248,883)	3,417,248
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary company	26(c)	-	(2,712,000)
Advance to subsidiary companies		(38,000)	(1,000,000)
Dividend received from subsidiary companies		263,000	280,000
Net cash from/(used in) investing activities		225,000	(3,432,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(23,883)	(14,752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		206,265	221,017
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	27(b)	182,382	206,265

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

1. GENERAL

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as set out in note 7. 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 on 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 4 December 2008.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements comply with Financial Reporting Standards and the Companies Act 1965 in Malaysia.

The preparation of financial statements in conformity with Financial Reporting Standards and the Companies Act 1965 in Malaysia 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.

At the beginning of the current financial year, the Group and the Company have adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory for the financial period beginning on 01 September 2007. The adoption of these new and revised FRSs are disclosed 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 Ringgit Malaysia ("RM").

3. SIGNIFICANT ACCOUNTING POLICIES

a) Subsidiary companies

Subsidiaries companies 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Investment in subsidiary companies (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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	2% - 20%
Freehold buildings	2%
Freehold and long leasehold buildings	2%
Furniture and fittings	10%
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Investment properties (cont'd)

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) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

i) Inventories

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

The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress represents raw materials, direct labour and the appropriate production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less cost of completion and selling expenses.

j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

k) 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.

l) 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.

Property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset in accordance with the depreciation policy of the Group.

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

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.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment for land represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The prepaid lease payments are amortised evenly over the respective lease term of the land which ranges from 84 to 97 years. Operating lease payments are recognised as an expense in the income statement.

The Group had previously revalued its leasehold land and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

m) Income taxes

Income taxes on the profit or loss for the year comprise 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.

n) 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.

o) Interest bearing borrowings

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

p) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q) 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 Company's 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 01 January 2006.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q) Employee benefits (cont'd)

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.

r) 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) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method.

iii) Rental income

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

iv) Interest income

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

v) Dividend income

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

s) Financial instruments

Financial instrument is any contract that gives rise to both a financial asset of a company and a financial liability or equity instrument of other entities. The particular recognition methods adopted relating to financial instruments carried on balance sheet are disclosed in the individual accounting policy statements associated with each items.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

s) Financial instruments (cont'd)

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.

t) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

t) Impairment of non-financial assets (cont'd)

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.

u) 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.

v) 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.

w) 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.

x) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

x) Non-current assets (or disposal groups) held for sale and discontinued operation (cont'd)

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.

y) 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.

z) 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. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs, AMENDMENTS TO FRSs AND ISSUE COMMITTEE ("IC") INTERPRETATIONS

The Group and the Company have adopted the following new and revised FRSs, amendments to FRSs and interpretations for financial year beginning on 01 September 2007:

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

The adoption of the above FRSs and interpretations does not result in significant changes in accounting policies of the Group except as discussed below:

a) FRS 117 Leases

Prior to 01 September 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payments for land represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs, AMENDMENTS TO FRSs AND ISSUE COMMITTEE ("IC") INTERPRETATIONS (cont'd)

a) FRS 117 Leases (cont'd)

The Group has adopted transitional provisions of FRS 117. At 01 September 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively.

The effect of the Group's comparative figures on adoption of the FRS is as follows:

Group	Note	Previously stated	Reclassification	Restated
		RM	RM	RM
Consolidated Balance Sheet as at 31 August 2007				
Property, plant and equipment	5	49,484,397	(2,378,040)	47,106,357
Prepaid lease payments	6	-	2,378,040	2,378,040
Consolidated IncomeStatement for the financial year ended 31 August 2007				
Amortisation of prepaid lease payments	23(a)	-	28,359	28,359
Depreciation of property, plant and equipment	23(a)	3,084,645	(28,359)	3,056,286

b) FRS 112 Income Taxes

With the removal of the relevant provisions in FRS 112 which explicitly prohibit the recognition of deferred tax on reinvestment allowance or other allowances in excess of capital allowance, entities can now account for these items either as tax credits or investment tax credits.

The effect of the Group's comparative figures on adoption of FRS 112 is as follows:

Group	Note	Previously stated	Adjustment	Restated
		RM	RM	RM
Note to the Financial Statements 31 August 2007 Deferred taxation				
	13(e)	13,206,733	4,066,663	17,273,396
	19(b)	(2,090,631)	(1,072,593)	(3,163,224)

There was no effect in the financial statements mainly due to deferred tax assets have not been recognised in the financial statements as disclosed in note 19(b).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The MASB has issued the following FRSs and interpretations that are effective for annual periods beginning after 01 September 2007 and that have not been applied in preparing these financial statements.

	For financial periods beginning on or after
FRS 4 : Insurance Contracts	1 January 2010
FRS 7 : Financial Instruments: Disclosures	1 January 2010
FRS 8 : Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9 : Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The above FRSs and IC Interpretations are expected to have no significant impact on the financial statements of the Group and Company upon their initial application (except possibly for FRS 139 which is exempted from disclosure).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Critical judgements made in applying accounting policies

The following is the judgements made by management in the process of applying the Group's accounting policies that have most significant effect on the amounts recognised in the financial statements:

As disclosed in note 11(b) and (d)(i), a subsidiary company has entered into Settlement Agreement to settle part of the outstanding balance owing by two suppliers amounting to RM2,282,824 by acquiring two parcels of vacant freehold industrial land from the supplier concerned.

As at the date of this report, the transaction has not been completed. In light of the transaction not been completed, management was required to consider whether allowance for doubtful debts are required to be made on the outstanding balances.

No allowances for doubtful debts have been made for these balances as the directors are of the view that the transaction will be completed and any outstanding amount will be able to collect from the suppliers concerned.

b) 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:

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

b) Key sources of estimation uncertainty (cont'd)

(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 are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

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

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

(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 2008 was RM33,375,465 (2007 - RM33,054,048).

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 conditions 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 realizable value 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 2008 was RM38,065,193 (2007 - RM39,479,238).

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 may be required to reduce the value of its inventories and additional allowance for slow moving inventories may be required.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Land and building*	Plant machinery and equipment	Motor vehicles	Other assets #	Construction-in-progress	Total
	RM	RM	RM	RM	RM	RM
At 31 August 2008						
Cost/valuation						
At 01 September 2007	35,914,591	15,805,805	7,705,890	4,367,535	2,594,709	66,388,530
Additions	560,603	1,156,369	1,296,306	258,203	-	3,271,481
Disposal	(1,703,963)	(66,525)	(787,720)	-	-	(2,558,208)
Written off	-	-	-	(4,560)	-	(4,560)
Reclassification	2,594,709	-	-	-	(2,594,709)	-
At 31 August 2008	37,365,940	16,895,649	8,214,476	4,621,178	-	67,097,243
Accumulated depreciation and impairment loss						
At 01 September 2007	3,243,186	9,041,978	5,500,214	1,496,795	-	19,282,173
Depreciation charge for the financial year	715,472	1,266,453	963,328	323,732	-	3,268,985
Disposal	(303,963)	(39,029)	(612,891)	-	-	(955,883)
Written off	-	-	-	(2,964)	-	(2,964)
At 31 August 2008	3,654,695	10,269,402	5,850,651	1,817,563	-	21,592,311
Net carrying amount						
At cost	32,639,640	6,626,247	2,363,825	2,803,615	-	44,433,327
At valuation	1,071,605	-	-	-	-	1,071,605
At 31 August 2008	33,711,245	6,626,247	2,363,825	2,803,615	-	45,504,932

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Note	Land and building*	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
Effect adopting FRS 117	6	(2,546,645)	-	-	-	-	(2,546,645)
Restated		26,426,366	13,736,977	6,828,389	3,492,777	3,070,239	53,554,748
Acquisition of subsidiary		4,829,169	1,120,096	649,351	111,305	52,950	6,762,871
Additions		1,588,817	2,240,631	228,150	763,453	2,541,759	7,362,810
Disposal		-	(1,291,899)	-	-	-	(1,291,899)
Reclassification		3,070,239	-	-	-	(3,070,239)	-
At 31 August 2007		35,914,591	15,805,805	7,705,890	4,367,535	2,594,709	66,388,530
Accumulated depreciation and impairment loss							
At 01 September 2006		2,430,650	7,685,621	4,196,464	1,150,741	-	15,463,476
Effect adopting FRS 117	6	(140,246)	-	-	-	-	(140,246)
Restated		2,290,404	7,685,621	4,196,464	1,150,741	-	15,323,230
Acquisition of subsidiary		32,424	608,863	390,454	55,891	-	1,087,632
Depreciation charge for the financial year		601,955	1,250,872	913,296	290,163	-	3,056,286
Disposal		-	(503,378)	-	-	-	(503,378)
Impairment loss		318,403	-	-	-	-	318,403
At 31 August 2007		3,243,186	9,041,978	5,500,214	1,496,795	-	19,282,173
Net carrying amount							
At cost		31,599,800	6,763,827	2,205,676	2,870,740	2,594,709	46,034,752
At valuation		1,071,605	-	-	-	-	1,071,605
At 31 August 2007		32,671,405	6,763,827	2,205,676	2,870,740	2,594,709	47,106,357

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

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group

* Land and buildings	Freehold land	Long leasehold building	Freehold building	Electrical installation	Renovation	Total
	RM	RM	RM	RM	RM	RM
At 31 August 2008						
Cost/valuation						
At 01 September 2007	10,568,445	10,606,747	13,596,294	640,601	502,504	35,914,591
Additions	7,733	-	396,856	130,080	25,934	560,603
Disposal	(1,697,155)	-	(6,808)	-	-	(1,703,963)
Reclassification	-	-	2,594,709	-	-	2,594,709
At 31 August 2008	8,879,023	10,606,747	16,581,051	770,681	528,438	37,365,940
Accumulated depreciation and impairment loss						
At 01 September 2007	312,405	1,076,855	1,197,305	295,246	361,375	3,243,186
Depreciation charge for the financial year	-	212,136	329,079	113,120	61,137	715,472
Disposal	(297,155)	-	(6,808)	-	-	(303,963)
At 31 August 2008	15,250	1,288,991	1,519,576	408,366	422,512	3,654,695
Net carrying amount						
At cost	7,792,168	9,317,756	15,061,475	362,315	105,926	32,639,640
At valuation	1,071,605	-	-	-	-	1,071,605
At 31 August 2008	8,863,773	9,317,756	15,061,475	362,315	105,926	33,711,245

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group

* Land and buildings	Note	Long leasehold land	Freehold land	Long leasehold building	Freehold building	Electrical installation	Renovation	Total
		RM	RM	RM	RM	RM	RM	RM
At 31 August 2007								
Cost/valuation								
At 01 September 2006		2,546,645	5,641,385	10,381,852	9,288,989	617,136	497,004	28,973,011
Effect adopting FRS 117	6	(2,546,645)	-	-	-	-	-	(2,546,645)
Restated		-	5,641,385	10,381,852	9,288,989	617,136	497,004	26,426,366
Acquisition of subsidiary		-	4,765,000	-	64,169	-	-	4,829,169
Additions		-	162,060	224,895	1,172,897	23,465	5,500	1,588,817
Reclassification		-	-	-	3,070,239	-	-	3,070,239
At 31 August 2007		-	10,568,445	10,606,747	13,596,294	640,601	502,504	35,914,591
Accumulated depreciation and impairment loss								
At 01 September 2006		140,246	-	865,312	915,522	218,732	290,838	2,430,650
Effect adopting FRS 117	6	(140,246)	-	-	-	-	-	(140,246)
Restated		-	-	865,312	915,522	218,732	290,838	2,290,404
Acquisition of subsidiary		-	-	-	32,424	-	-	32,424
Depreciation charge for the financial year		-	-	211,543	243,361	76,514	70,537	601,955
Impairment loss		-	318,403	-	-	-	-	318,403
Reclassification		-	(5,998)	-	5,998	-	-	-
At 31 August 2007		-	312,405	1,076,855	1,197,305	295,246	361,375	3,243,186
Net carrying amount								
At cost		-	9,184,435	9,529,892	12,398,989	345,355	141,129	31,599,800
At valuation		-	1,071,605	-	-	-	-	1,071,605
At 31 August 2007		-	10,256,040	9,529,892	12,398,989	345,355	141,129	32,671,405

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	2008 RM	2007 RM
Net carrying amount		
a) Property, plant and equipment acquired by mean of hire purchase plans:		
Motor vehicles	1,756,362	1,160,641
Plant, machinery and equipment	1,650,680	1,334,103
	3,407,042	2,494,744
b) Property, plant and equipment pledged for banking facilities granted to subsidiary companies as disclosed in note 17:		
Freehold buildings	13,654,763	10,921,907
Freehold land	4,698,986	7,265,593
Long leasehold buildings	7,227,344	7,485,604
	25,581,093	25,673,104
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 2008	
At cost	
At beginning and end of the financial year	10,797
Accumulated depreciation	
At 01 September 2007	3,690
Depreciation charge for the financial year	1,080
At 31 August 2008	4,770
Net carrying amount	
At 31 August 2008	6,027

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

6. PREPAID LEASE PAYMENTS

	Leasehold land Unexpired period more than 50 years RM
At 31 August 2008	
At cost	
At beginning and end of the financial year	2,490,005
Accumulated amortisation	
At 01 September 2007	111,965
Amortisation for the financial year	27,795
At 31 August 2008	139,760
Net carrying amount	
At 31 August 2008	2,350,245

6. PREPAID LEASE PAYMENTS (cont'd)

	Note	Leasehold land Unexpired period more than 50 years RM
At 31 August 2007		
At cost		
At 01 September 2006		-
Effect of adopting FRS 117	5	2,546,645
Restated		2,546,645
Additions		733,514
Disposal		(790,154)
At 31 August 2007		2,490,005
Accumulated amortisation		
At 01 September 2006		-
Effect of adopting FRS 117	5	140,246
Restated		140,246
Amortisation for the financial year		28,359
Disposal		(56,640)
At 31 August 2007		111,965
Net carrying amount		
At 31 August 2007		2,378,040

Leasehold land is pledged for banking facilities as disclosed in note 17.

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Note	Company 2008 RM	Company 2007 RM
At cost			
Unquoted shares		40,637,105	37,925,105
Acquisition of a subsidiary company	26(c)	-	2,712,000
At 31 August		40,637,105	40,637,105
Less:			
Accumulated impairment losses			
At 01 September		3,276,859	-
Additions		1,400,000	3,276,859
At 31 August		4,676,859	3,276,859
Net carrying amount			
At 31 August		35,960,246	37,360,246

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

Name	Gross equity interest 2008 (%)	Gross equity interest 2007 (%)	Principal activities
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

7. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Name	Gross equity interest 2008 (%)	2007 (%)	Principal activities
Poh Keong Industries Sdn. Bhd.*	51.00	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	Dormant
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 and construction

*Not audited by John Lim & Associates

On 15 September 2008, as disclosed in note 36, Syarikat U.D. Trading Sdn. Bhd. ("UDT") has acquired additional 14,000 ordinary of RM1 each in the Syarikat U.D. Trading Corporation Sdn. Bhd. ("UDTC"). As a result of this acquisition, UDTC becomes a 65% owned subsidiary of UDT since then.

8. INVESTMENT PROPERTIES

	Note	Group 2008 RM	2007 RM
At fair value			
At 01 September		3,969,984	3,955,000
Additions		-	14,984
		3,969,984	3,969,984
Fair value adjustments	23(a)	(40,000)	-
At 31 August		3,929,984	3,969,984
At fair value			
- Freehold land		1,244,984	1,244,984
- Freehold shophouse		350,000	350,000
- Freehold condominium		140,000	180,000
- Freehold warehouses		710,000	710,000
- Long leasehold land and building		1,485,000	1,485,000
		3,929,984	3,969,984

a) Investment properties with carrying amount of RM3,265,000 (2007 - RM3,265,000) are pledged for banking facilities granted to subsidiary companies as disclosed in note 17.

b) Long leasehold land with carrying amount of RM240,000 (2007 - RM240,000) is in the midst of being transferred to the name of a subsidiary company.

c) 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 date, no development has been carried out yet.

d) During the financial year, a subsidiary company has entered into Sale and Purchase Agreement for the disposal of the freehold warehouses with a carrying value of RM710,000 for a total sales consideration of RM800,000 as disclosed in note 35(b).

e) The fair value of the investment properties of the Group at 31 August 2008 is determined by valuation carried out by Messrs. Rahim & Co., Colliers, Jordan Lee & Jaafar (M'cca) Sdn. Bhd. and VPC Alliance (Sabah) Sdn. Bhd., independent professional valuers, using comparison basis to reflect the market value. The valuers have relevant recognised professional qualification and have recent experience in valuing properties in the relevant locations.

8. INVESTMENT PROPERTIES (cont'd)

f) The aggregate rental income and direct operating expenses arising from investment properties that generate rental income during the financial year are RM126,000 (2007 - RM110,600) and RM8,378 (2007 - RM11,100) respectively.

g) The aggregate direct operating expenses arising from investment properties that do not generate rental income during the financial year are RM290 (2007 - RM636).

9. OTHER INVESTMENTS

	Group		Company	
	2008 RM	2007 RM (restated)	2008 RM	2007 RM
At cost				
Quoted shares				
- in Malaysia	217,312	217,312	-	-
- outside Malaysia	1,585,981	1,585,981	-	-
Unquoted shares	420,000	420,000	420,000	420,000
	2,223,293	2,223,293	420,000	420,000
Less:				
Accumulated impairment losses				
- At 01 September	548,016	338,016	420,000	210,000
- Recognised in income statement	151,802	210,000	-	210,000
- At 31 August	699,818	548,016	420,000	420,000
	1,523,475	1,675,277	-	-
Market value of quoted shares				
- in Malaysia	202,275	261,000	-	-
- outside Malaysia	1,321,200	1,497,360	-	-
	1,523,475	1,758,360	-	-

10. INVENTORIES

	Group 2008 RM	2007 RM
At cost:		
Raw materials	20,516,462	22,198,022
Work-in-progress	3,962,029	3,146,206
Finished goods	13,586,702	13,786,182
	38,065,193	39,130,410
At net realisable value:		
Finished goods	-	348,828
	38,065,193	39,479,238

The Group has written down its inventories by RM38,759 for the financial year ended 31 August 2007.

11. RECEIVABLES

	Group 2008 RM	2007 RM	Company 2008 RM	2007 RM
Trade receivables	27,161,275	24,082,508	-	-
Less:				
Allowance for doubtful debts				
- As at 01 September	375,293	494,594		
- No longer required	(163,714)	(296,924)	-	-
- Additions	565,026	177,623	-	-
- As at 31 August	776,605	375,293	-	-
	26,384,670	23,707,215	-	-

11. RECEIVABLES (cont'd)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Other receivables, deposits and prepayments	7,333,563	9,347,193	1,000	1,000
Less:				
Allowance for doubtful debts				
- As at 01 September	-	-	-	-
- Additions	342,768	-	-	-
- As at 31 August	342,768	-	-	-
	6,990,795	9,347,193	1,000	1,000
Total	33,375,465	33,054,408	1,000	1,000

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 advance payments made to a supplier amounting to RM1,610,995 (2007 - two suppliers amounting to RM3,021,263). A Settlement Agreement, as disclosed in note 35(c), has been entered into with the supplier for the settlement of the outstanding balance.

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

	Group	
	2008	2007
	RM	RM
Euro Dollar	-	97,792
United States Dollar	2,370,228	3,796,939

d) Included in other receivables are:-

i) Advance to a supplier for the supply of rubberwood amounting to RM1,553,179 (2007 - RM2,053,178). A Settlement Agreement, as disclosed in note 35(c), has been entered into for the settlement of RM671,829 of the outstanding balance.

11. RECEIVABLES (cont'd)

ii) Amount owing by a vendor amounting to RM876,813 (2007 - RM982,777) for the purchase of freehold land in prior year.

iii) Amount due by a related party, Saribina Holdings (M) Sdn. Bhd. amounting to Nil (2007 - RM248,000).

The related party relationships and transactions are as disclosed in note 28.

12. AMOUNTS DUE BY SUBSIDIARY COMPANIES

Company

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

13. TAXATION

a) Movements in the taxation statements are:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At 01 September	(1,942,391)	(2,379,745)	(44,798)	(7,705)
Acquisition of subsidiary company	-	(153,112)		-
Taxation charge for the financial year				
- Malaysian income tax	128,189	50,894	-	19,886
- Foreign tax	8,916	8,602	-	-
	137,105	59,496	-	19,886
(Over)/underprovision in prior year	(52,513)	118,137	-	-
Tax paid				
- Malaysian income tax	(229,811)	(804,708)	-	(1,500)
- Foreign tax	(8,916)	(8,602)	-	-
	(238,727)	(813,310)	-	(1,500)
Tax refund	1,038,120	1,230,868	1,500	-
Tax deducted at source	(4,524)	(4,725)	-	(55,479)
At 31 August	(1,062,930)	(1,942,391)	(43,298)	(44,798)
Disclosed as:				
Tax assets	(1,182,693)	(1,943,504)	(43,298)	(44,798)
Tax liabilities	119,763	1,113	-	-
	(1,062,930)	(1,942,391)	(43,298)	(44,798)

13. TAXATION (cont'd)

b) The taxation expenses comprise:

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Taxation charge for the financial year				
-Malaysian income tax	128,189	50,894	-	19,886
-Foreign tax	8,916	8,602	-	-
	137,105	59,496	-	19,886
(Over)/underprovision in prior year	(52,513)	118,137		-
Transfer (to)/from deferred taxation (note 19)				
- current year	(24,040)	261,679	-	-
- changes in effective Malaysian income tax rate	(448,392)	(75,558)	-	-
- overprovision in prior year	(616,987)	(28,759)	-	-
	(1,089,419)	157,362	-	-
Taxation expenses for the financial year	(1,004,827)	334,995	-	19,886

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 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Loss before taxation	(8,705,517)	(2,125,568)	(1,383,990)	(3,466,128)
Taxation at statutory tax rate of 26% (2007 - 27%)	(2,263,434)	(573,903)	(359,837)	(935,855)
Tax effects of:				
- opening deferred tax resulting from a reduction in income tax rate	(448,392)	(75,558)	-	-
- tax incentive obtained for preferential tax rate of 20%	34,676	63,381	-	-
- income not subject to tax	(86,403)	(31,220)	(68,380)	(35,100)
- double deduction expenses	(320,355)	(329,094)	-	-
- non-allowable expenses	733,091	679,348	428,217	990,841
Utilisation of previously unrecognised unused capital allowances	(746)	-		
Effect of different tax rate in other country	2,972	3,010	-	-
Tax incentives	(36,591)	(134,785)	-	-
Deferred tax recognised at different tax rate	30,928	-	-	-
Deferred tax assets not recognised	2,018,120	615,715	-	-
Others	807	28,723	-	-
	(335,327)	245,617	-	19,886
(Over)/underprovision in prior year				
- income tax	(52,513)	118,137	-	-
- deferred tax	(616,987)	(28,759)	-	-
Income tax expenses for the financial year	(1,004,827)	334,995	-	19,886

13. TAXATION (cont'd)

Domestic current income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions. Consequently deferred tax assets and liabilities are measured using these tax rates.

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 tax saving arising from the utilisation of previously unused capital allowance amounted to approximately RM746 (2007 - Nil).

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Reinvestment allowances	4,207,398	4,066,663	-	-
Unused capital allowances	3,482,305	3,588,490	-	-
Unused tax losses	12,563,866	9,618,243	-	-
	20,253,569	17,273,396	-	-

14. FIXED DEPOSITS WITH LICENSED BANKS

All the fixed deposits of the Group are pledged for credit facilities granted to subsidiary companies as disclosed in note 17 and fixed deposits amounting to RM1,076,365 (2007 - RM4,745,729) are held in trust in the name of a director.

The above fixed deposits have maturity ranging from 365 to 455 (2007 - 365 to 455) days.

Other information on financial risks of fixed deposits is disclosed in note 33(c).

15. SHARE CAPITAL

	2008 No. of shares	2007 No. of shares	2008 RM	2007 RM
Ordinary shares of RM0.50 each				
Authorised	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid	126,505,500	126,505,500	63,252,750	63,252,750

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

The Group's ESOS 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-executives 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 company(ies) comprised in the Group;

hereinafter known as "Eligible Employees".

(c) The number of new shares that may be offered and allotted to any Eligible Employees of the Group shall be at the discretion of the Option Committee after taking into consideration the performance, seniority and length of service of the Eligible Employees and such other factors that the Option Committee may deem relevant, subject to the following:

15. SHARE CAPITAL (cont'd)

i) EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (cont'd)

(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 of 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 13 September 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.

15. 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	01 September 2007	Exercised	31 August 2008
		RM			
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:

15. SHARE CAPITAL (cont'd)

ii) WARRANTS (cont'd)

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.

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:

		Number of warrants		
Date of issue	Exercise price per warrant	01 September 2007	Bought Sold/ Exercised	31 August 2008
	RM			
02.12.2005	0.80	21,084,250	-	21,084,250

16. RESERVES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Non-distributable reserve:				
Share premium	12,494,536	12,494,536	12,494,536	12,494,536
Distributable reserve:				
Accumulated losses	(15,038,278)	(7,698,755)	(15,000,392)	(13,616,402)
	(2,543,742)	4,795,781	(2,505,856)	(1,121,866)

17. BORROWINGS

	Group 2008 RM	2007 RM
Current portion:		
Secured		
Bank overdrafts	1,479,990	977,504
Bankers' acceptances	40,203,060	43,202,676
Term loans	663,129	1,042,180
Hire purchase payables (note 18)	758,587	789,833
	43,104,766	46,012,193
Unsecured		
Bank overdrafts	444,980	274,806
Bankers' acceptances	1,500,030	674,000
	1,945,010	948,806
Total current portion	45,049,776	46,960,999
Non-current portion:		
Secured		
Term loans	3,579,075	4,270,236
Hire purchase payable (note 18)	666,908	472,875
	4,245,983	4,743,111
Total borrowings	49,295,759	51,704,110

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

	Group 2008 RM	2007 RM
Between one to two years	866,313	418,157
Between two to five years	1,758,585	2,360,331
After five years	954,177	1,491,748
	3,579,075	4,270,236

17. BORROWINGS (cont'd)

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

i) Debenture incorporating legal charges over the properties of the subsidiary companies as disclosed in note 5, 6 and 8, and floating charges over all the present and future assets of the subsidiary companies;

ii) Fixed deposits as disclosed in note 14.

c) Other information on financial risks of borrowings is disclosed in note 33(c).

d) The term loans are repayable as follows:

Loan account	No. of installments	Monthly repayment
Term loan 1	36	RM19,735 commenced August 2006
Term loan 2	96	RM23,960 commenced August 2007
Term loan 3	120	RM23,793 commenced February 2007

18. HIRE PURCHASE PAYABLES

	Group	
	2008 RM	2007 RM
Due within one year	811,468	845,435
Less: Future finance charges	52,881	55,602
	758,587	789,833
Due after one year	704,185	485,723
Less: Future finance charges	37,277	12,848
	666,908	472,875
Future minimum lease payments:		
Not later than 1 year	811,468	845,435
Later than 1 year and not later than 2 years	512,370	445,756
Later than 2 years and not later than 5 years	191,815	39,967
Total future minimum lease payments	1,515,653	1,331,158

18. HIRE PURCHASE PAYABLES (cont'd)

	Group 2008 RM	2007 RM
Less:		
Future finance charges	90,158	68,450
Present value of finance lease liabilities	1,425,495	1,262,708
Analysis of present value of finance lease liabilities:		
Not later than 1 year	758,587	789,833
Later than 1 year and not later than 2 years	483,642	434,071
Later than 2 years and not later than 5 years	183,266	38,804
	1,425,495	1,262,708
Less:		
Amount due within 12 months (note 17)	758,587	789,833
Amount due after 12 months (note 17)	666,908	472,875

Other information on financial risks of hire purchases payables is disclosed in note 33(c).

19. 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 2008	Balance at 01 September 2007 RM	Recognised in the income statement (Note 13) RM	Balance at 31 August 2008 RM
Deferred tax assets			
Allowance for doubtful debts	(101,329)	78,074	(23,255)
Excess of tax written down value over their property, plant and equipment's net carrying amount	(51,393)	51,393	-
Reinvestment allowances	(136,635)	4,864	(131,771)
Unused tax losses	(127,536)	(110,620)	(238,156)
Unused capital allowances	(216,122)	120,048	(96,074)
	(633,015)	143,759	(489,256)

19. DEFERRED TAXATION (cont'd)

Group 2008	Balance at 01 September 2007	Recognised in the income statement (Note 13)	Balance at 31 August 2008
	RM	RM	RM
Deferred tax liabilities			
Excess of property, plant and equipment's net carrying amount over their tax written down value	1,834,785	(1,233,178)	601,607
	1,834,785	(1,233,178)	601,607
Deferred tax liabilities - net	1,201,770	(1,089,419)	112,351

Group 2007	Balance at 01 September 2006	Recognised in the income statement (Note 13)	Balance at 31 August 2007
	RM	RM	RM
Deferred tax assets			
Allowance for doubtful debts	(70,131)	(31,198)	(101,329)
Excess of tax written down value over their property, plant and equipment's net carrying amount	(26,969)	(24,424)	(51,393)
Reinvestment allowances	(113,656)	(22,979)	(136,635)
Unused tax losses	(212,996)	85,460	(127,536)
Unused capital allowances	(252,064)	35,942	(216,122)
	(675,816)	42,801	(633,015)

19. DEFERRED TAXATION (cont'd)

	Balance at 01 September 2006	Recognised in the income statement (note 13)	Acquisition of subsidiary company (Note 26(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
Revaluation surplus on investment properties	61,011	(61,011)	-	-
Revaluation reserve	64,500	(64,500)	-	-
	1,679,224	114,561	41,000	1,834,785
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 assets of these companies concerned.

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Excess of property, plant and equipment's net carrying amount over their tax written down value	900,947	784,608	-	-
Allowance for doubtful debts	(262,449)	(101,329)	-	-
Reinvestment allowances	(1,068,007)	(930,562)	-	-
Unused tax losses	(3,216,087)	(2,231,173)	-	-
Unused capital allowances	(1,691,395)	(826,799)	-	-
	(5,336,991)	(3,305,255)	-	-
Less:				
Deferred tax liabilities	155,647	142,031	-	-
	(5,181,344)	(3,163,224)	-	-

20. PAYABLES

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Trade payables	15,370,349	13,219,664	-	-
Amount due to customers on contracts				
Aggregate costs to-date	-	-	-	-
Add:				
Attributable profits recognised to date	-	-	-	-
Less:				
Progress billings	368,972	-	-	-
Amounts due to customers on contracts	368,972	-	-	-
Other payables				
Sundry payables	4,216,894	3,027,613	10,111	14,584
Payroll liabilities	277,078	265,630	-	108,000
Deposits received and accruals	349,967	751,159	118,000	10,000
	4,843,939	4,044,402	128,111	132,584
	20,583,260	17,264,066	128,111	132,584

Group

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

b) Included in deposits received and accruals is an amount of RM80,000 (2007 - Nil) representing deposit received for the disposal of two units of freehold warehouses as disclosed in note 35(b).

20. PAYABLES (cont'd)

c) The foreign currency exposure of payables is as follows:-

	Group	
	2008	2007
	RM	RM
United States Dollar	523,920	1,758,096
Euro Dollar	-	103,954

21. REVENUE

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Sales of goods	139,526,621	135,885,202	-	-
Dividend income from subsidiary companies	-	-	263,000	335,479
	139,526,621	135,885,202	263,000	335,479

22. OTHER INCOME

Other income comprise the following:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Allowance for doubtful debts no longer required	163,714	296,924	-	-
Bad debts recovered	5,443	267,143	-	-
Dividend from quoted investments	76,841	60,508	-	-
Foreign exchange gain				
- realised	199,724	297,513	-	-
- unrealised	-	2,741	-	-
Gain on disposal of property, plant and equipment	145,390	19,000	-	-
Gain on disposal of quoted investments	-	37,535	-	-
Insurance claimed	41,282	-	-	-
Interest income	119,944	224,992	-	-
Lease of land	-	2,500	-	-
Negative goodwill written of	-	78,093	-	-
Rental income	124,510	130,200	-	-
Sundry revenue	340,201	238,298	-	-
	1,217,049	1,655,447	-	-

23. OPERATING LOSS

a) This is arrived at after inclusion of the following charges:

	Group		Company	
	2008	2007	2008	2007
	RM	RM (restated)	RM	RM
Allowance for doubtful debts	907,794	177,623	-	-
Amortisation of prepaid lease payments	27,795	28,359	-	-
Auditors' remuneration:				
Statutory audit				
- Company's auditors	60,000	60,000	10,000	10,000
- other auditors	37,700	28,700	-	-
Non-statutory audit				
- Company's auditors	24,275	23,179	11,313	15,945
- other auditors	-	31,500	-	31,500
Bad debts written off	-	415,542	-	-
Depreciation	3,268,985	3,056,286	1,080	1,080
Fair value adjustment on investment properties	40,000	-	-	-
Foreign exchange loss:				
- unrealised	6,927	35,449	-	-
- realised	199,548	306,863	-	-
Impairment loss on investment in subsidiary companies	-	-	1,400,000	3,276,859
Impairment loss on other investments	151,802	210,000	-	210,000
Impairment loss on property, plant and equipment	-	318,403	-	-
Investment written off	-	5,000	-	-
Inventory written dow	-	38,759	-	-
Loss on disposal of property, plant and equipment	-	4,959	-	-
Property, plant and equipment written off	1,596	-	-	-
Rental of				
- cylinder	-	119	-	-
- factory	143,420	90,920	-	-
- hostel	66,130	61,100	-	-
- office equipment	11,037	11,037	-	-
- premises	175,110	189,811	-	-
- vehicles	10,363	31,708	-	-

23. OPERATING LOSS (cont'd)

b) Directors' remuneration

i) Directors of the Company

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Executive:				
Salaries and other emoluments	1,250,000	1,046,000	60,000	60,000
Defined contribution retirement plan	98,640	73,560	-	-
The estimated monetary value of benefit-in-kind	370,619	202,873	-	-
Other employee benefits	2,519	2,501	-	-
	1,721,778	1,324,934	60,000	60,000
Non-Executive:				
Allowance	48,000	60,000	48,000	60,000
	1,769,778	1,384,934	108,000	120,000

ii) Directors of the subsidiary companies

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Executive:				
Salaries and other emoluments	480,500	447,000	-	-
Defined contribution retirement plan	48,060	42,960	-	-
The estimated monetary value of benefit-in-kind	49,200	23,300	-	-
Other employee benefits	3,838	2,479	-	-
	581,598	515,739	-	-

23. OPERATING LOSS (cont'd)

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

	Number of directors	
	2008	2007
	Nos.	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	-	-
- RM300,001 – RM350,000	-	2
- RM350,001 – RM400,000	-	1
- RM400,001 – RM450,000	-	-
- RM450,001 – RM500,000	2	-
- Above RM500,000	1	-
	5	5
Non-executive directors of the Company		
- Below RM50,000	4	4
	9	9

24. FINANCE COSTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Interest on				
- bankers' acceptances	1,547,831	1,685,539	-	-
- bank overdrafts	123,417	161,919	-	-
- hire purchase	88,095	106,369	-	-
- trust receipts	-	66,714	-	-
- term loans	267,590	165,239	-	-
- overdue	-	31	-	-
	2,026,933	2,185,811	-	-

25. LOSS PER SHARE

a) Basic loss per share

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

	Group	
	2008	**2007**
	RM	**RM**
Loss attributable to ordinary equity holders of the Company	(7,339,523)	(2,551,646)
	2008	2007
	Units	Units
Number of ordinary shares in issue	126,505,500	126,505,500

	Group	
	2008	**2007**
	RM	**RM**
Basic loss per share	(0.058)	(0.020)

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. 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:

	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.

26. ACQUISITION OF A SUBSIDIARY COMPANY (cont'd)

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 interests	2,680,678	
Group's share of net assets	2,790,093	
Negative goodwill on acquisition	(78,093)	
	2,712,000	

There was no acquisition in the financial year ended 31 August 2008 and subsequent to 31 August 2008.

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 2008 and subsequent to 31 August 2008.

27. 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	
	2008 RM	2007 RM
Purchase of property, plant and equipment (note 5)	3,271,481	8,096,324
Financed by hire purchase plan	(1,104,300)	(110,000)
Cash payments on purchase of property, plant and equipment	2,167,181	7,986,324

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Cash in hand				
- Ringgit Malaysia	29,014	34,151	-	-
- United States Dollar	-	2,789	-	-
Cash at banks				
- Ringgit Malaysia	3,639,938	5,249,533	182,382	206,265
- United States Dollar	975,284	1,224,899	-	-
- Euro Dollar	383	-	-	-
	4,644,619	6,511,372	182,382	206,265
Bank overdrafts				
- Ringgit Malaysia	(1,924,970)	(1,252,310)	-	-
	2,719,649	5,259,062	182,382	206,265

28. 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 Group and Company have related party relationships with the following:

i) Subsidiary companies of the Company as disclosed in note 7.
ii) A company in which Dato' Seri 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' Seri Tan King Tai @ Tan Khoon Hai and Dato' Koh Low @ Koh Kim Toon are the directors and shareholders.
iv) Key management personnel
- Key management personnel represents the executive directors of the Company and its subsidiary companies.
v) Madam Lee Geok Kim is a director of a subsidiary company, Poh Keong Industries Sdn. Bhd.
vi) Ms. Koh Shih Hui is sister of Mr. Koh Tie Siang and daughter of Dato' Koh Low @ Koh Kim Toon.

b) Significant transactions undertaken during the financial year were as follows:

		Group		Company	
		2008	2007	2008	2007
	Note	RM	RM	RM	RM
Subsidiaries:					
Dividends received from					
- Sin Wee Seng Industries Sdn. Bhd.		-	-	(120,000)	(130,000)
- Syarikat UD Trading Sdn. Bhd.		-	-	(143,000)	(205,479)
Advance to subsidiary companies		-	-	(38,000)	(1,000,000)
Related parties:					
Rental of factory paid to Lee Geok Kim	(i)	94,920	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	-	-
Purchase of property, plant and equipment from Koh Shih Hui	(i)	35,000	-	-	-

28. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

i) The directors are of the opinion that these transactions are transacted at approximate market prices and mutually agreed terms.

ii) Information regarding outstanding balances which are unsecured, arising from related party transactions as at 31 August 2008, is disclosed in note 12.

c) Compensation paid to key management personnel is disclosed in note 23(b).

29. STAFF COSTS

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

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Salaries and wages	13,242,016	11,492,744	108,000	120,000
Defined contribution retirement plan	906,218	791,253	-	-
Other employee benefits	305,767	151,130	-	-
	14,454,001	12,435,127	108,000	120,000

30. CONTINGENT LIABILITIES

UNSECURED

Group

A customer of the subsidiary company, 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.

30. CONTINGENT LIABILITIES (cont'd)

Company

The Company has extended corporate guarantees to bankers for credit facilities to a limit of approximately RM72.8 million (2007 - RM99.3 million), as disclosed in note 34, granted to subsidiary companies.

Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the subsidiary companies amounting to approximately RM46.2 million as of 31 August 2008 (2007 - RM41.0 million).

31. CAPITAL COMMITMENT

	Group	
	2008	**2007**
	RM	**RM**
Authorised but not contracted for:-		
Property, plant and equipment	-	3,000,000

32. 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 included income tax assets and liabilities respectively.

Segment revenues, expenses and results include transfers between segments. Inter-segment sales are charged at prices offered to major customers. These transactions are eliminated on consolidation.

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

Business segment	Business activity
Manufacturing	Manufacturing of furniture products and log houses
Investment holding	Investment holding
Property investment	Property investment

32. SEGMENTAL REPORTING - GROUP (cont'd)

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

2008	Investment holding	Manufacturing	Property Investment	Eliminations	Consolidated
	RM	RM	RM	RM	RM
REVENUE AND EXPENSES					
Revenue					
External sales	-	139,526,621	-	-	139,526,621
Dividend income	263,000	-	-	(263,000)	-
Inter-segment revenue	-	15,149,884	204,000	(15,353,884)	-
Total	263,000	154,676,505	204,000	(15,616,884)	139,526,621
Results					
Segment results	(1,646,990)	(6,740,349)	188,811	1,400,000	(6,798,528)
Finance costs	-	(2,026,933)	-	-	(2,026,933)
Finance income	-	119,944	-	-	119,944
Loss before taxation					(8,705,517)
Income tax expenses					1,004,827
Loss for the financial year					(7,700,690)
Attributable to:					
Equity holders of the Company					(7,339,523)
Minority interests					(361,167)
					(7,700,690)
ASSETS AND LIABILITIES					
Segment assets #	189,409	124,041,632	7,900,984	-	132,132,025
Segment liabilities @	128,111	69,745,258	5,650	-	69,879,019

32. SEGMENTAL REPORTING - GROUP (cont'd)

2008	Investment holding	Manufacturing	Property Investment	Eliminations	Consolidated
	RM	RM	RM	RM	RM
OTHER INFORMATION					
Capital expenditure					
- Property, plant and equipment	-	3,271,481	-	-	3,279,481
Amortisation of prepaid lease payment	-	27,795	-	-	27,795
Depreciation	1,080	3,231,214	36,691	-	3,268,985
Non-cash expenses other than amortisation and depreciation	1,400,000	1,068,119	40,000	(1,400,000)	1,108,119
					4,404,899

BUSINESS SEGMENT

2007 (restated)	Investment holding	Manufacturing	Property Investment	Eliminations	Consolidated
	RM	RM	RM	RM	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	(3,723,514)	112,449	176,820	3,269,496	(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 expenses					(334,995)
Loss for the financial year					(2,460,563)

32. SEGMENTAL REPORTING - GROUP (cont'd)

BUSINESS SEGMENT (cont'd)

2007 (restated)	Investment holding RM	Manufacturing RM	Property Investment RM	Eliminations RM	Consolidated RM
Attributable to:					
Equity holders of the Company					(2,551,646)
Minority interests					91,083
					(2,460,563)
ASSETS AND LIABILITIES					
Segment assets #	214,372	131,705,708	7,211,750	-	139,131,830
Segment liabilities @	132,584	68,830,580	5,012	-	68,968,176
OTHER INFORMATION					
Capital expenditure					
- Property, plant and equipment	-	7,362,810	-	-	7,362,810
- Prepaid lease payments	-	733,514	-	-	733,514
- Acquisition of subsidiary company	-	2,712,000	-	-	2,712,000
Amortisation of prepaid lease payment	-	22,695	5,664	-	28,359
Depreciation	1,080	3,018,520	36,686	-	3,056,286
Non-cash expenses other than amortisation and depreciation	3,486,859	980,485	15,250	(3,276,859)	1,205,735
					4,290,380

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 liabilities and deferred taxation.

32. SEGMENTAL REPORTING - GROUP (cont'd)

Geographical segment

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

	2008 RM	2007 RM
Africa	2,729,941	2,594,526
America	7,205,308	13,205,594
Asia Pacific	34,315,500	46,088,816
Australia	3,192,253	2,156,291
Europe	24,121,652	12,604,487
Malaysia	67,961,967	59,235,488
Total revenue	139,526,621	135,885,202

33. FINANCIAL RISK MANAGEMENT

The operations of the Group are exposed to a variety of financial risks, including foreign currency risk, credit risk, interest rate risk and liquidity risk. 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.

a) Foreign currency risk

The Group incurs foreign currency risk on sale and purchase transactions denominated in currencies other than Ringgit Malaysia. 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 2008		
Forward contracts used to hedge sales	United States Dollar	3,241,437
As at 31 August 2007		
Forward contracts used to hedge sales	United States Dollar	11,240,320

The net unrecognised losses as at 31 August 2008 on forward currency contracts used to hedge anticipated sales which are expected to occur in the next twelve months amounted to RM140,917 (2007 - RM336,939) and are deferred until the related sales are transacted, at which time they are included in the measurement of such transactions.

33. FINANCIAL RISK MANAGEMENT (cont'd)

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 Company'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.

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk.

	Note	WAEIR	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	%	RM	RM	RM	RM	RM	RM	RM	RM
At 31 August 2008									
Fixed rate									
Hire purchase payables	18	4.77	758,587	483,642	183,266	-	-	-	1,425,495
Fixed deposit with licensed banks	14	3.75	2,680,285	57,827	-	-	-	-	2,738,112
Floating rate									
Bank overdrafts	17	7.82	1,924,970	-	-	-	-	-	1,924,970
Bankers' acceptances	17	3.81	41,703,090	-	-	-	-	-	41,703,090
Term loans	17	6.55	663,129	866,313	1,358,585	200,000	200,000	954,177	4,242,204

33. FINANCIAL RISK MANAGEMENT (cont'd)

c) Interest rate risk (cont'd)

	Note	WAEIR	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	%	RM	RM	RM	RM	RM	RM	RM	RM
At 31 August 2007									
Fixed rate									
Hire purchase payables	18	4.95	789,833	434,071	38,804	-	-	-	1,262,708
Fixed deposit with licensed banks	14	4.79	4,900,378	56,776	-	-	-	-	4,957,154
Term loans	17	5.00	377,683	16,110	-	-	-	-	393,793
Floating rate									
Bank overdrafts	17	7.84	1,252,310	-	-	-	-	-	1,252,310
Bankers' acceptances	17	4.71	43,876,676	-	-	-	-	-	43,876,676
Term loans	17	5.71	664,497	402,047	1,798,055	362,276	200,000	1,491,748	4,918,623

d) Liquidity risk

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.

34. 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 date are presented in the following table:

	Group			
	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Non-current financial liabilities				
Term loans	3,579,075	3,533,424	4,270,236	3,994,032
Hire purchase payables	666,908	673,215	472,875	431,045

34. FAIR VALUES (cont'd)

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 RM38,719,900 (2007 - RM46,440,616).

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.

Unrecognized

a) As at 31 August 2008, the contingent liability not recognised in the balance sheet of the Company is as follow:

		Company		
	Note	Credit facilities limit	Amount utilised	Net fair value
		RM	RM	RM
Corporate guarantees	30	72,805,000	46,163,060	-

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

b) The fair values of forward exchange contracts of the Group as at 31 August 2008 are estimated at RM3,100,520 (2007 - RM10,903,381), determined using forward exchange market rate at the balance sheet date.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

a) On 11 September 2007, a subsidiary company has entered into a Sale and Purchase Agreement to dispose three parcels of freehold land with a carrying value of approximately RM1.4 million for a total sales consideration of approximately RM1.4 million. The transaction has been completed during the financial year.

b) On 30 June 2008, a subsidiary company has entered into a Sale and Purchase Agreement to dispose two units of freehold warehouses with a carrying value of approximately RM710,000 for a total sale consideration of approximately RM800,000.

As at the date of this report, the transaction has not been completed yet.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

c) On 29 August 2008, a subsidiary company has entered into Settlement Agreement to settle part of the outstanding balance owing by two suppliers amounting to RM2,282,824 by acquiring two parcels of vacant freehold industrial land from the supplier concerned.

As at the date of this report, the transaction has not been completed yet.

36. SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

On 15 September 2008, a subsidiary company, Syarikat U.D. Trading Sdn. Bhd. has increased its investment in subsidiary company, Syarikat U.D. Trading Corporation Sdn. Bhd. by subscribing for 14,000 ordinary shares of RM1 each at par. As a result, the effective interest has increased from 51% to 65% since then.

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:-

	Note	As restated RM	As previously reported RM
a) Cash flow statement			
CASH FLOW FROM OPERATING ACTIVITIES			
Increase in amounts due by subsidiary companies		-	(1,000,000)
CASH FLOW FROM INVESTING ACTIVITIES			
Advance to subsidiary companies		(1,000,000)	-
b) Note to the Financial Statement-31 August 2007	9		
Other Investments			
At cost		2,223,293	2,095,277
Accumulated impairment losses		548,016	420,000

The above reclassifications have no impact on the net loss attributable to the shareholders.

List Of Properties As at 31 August 2008

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 / 5 years	3,442	07.06.02 (Date of Acquisition)
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 / 8 years	751	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 / 14 years	1,218	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	30.06.08 (Date of Revaluation)
Lot 4304, GM1291, Mukim of Parit Bakar, District of Muar, Johor.	Residential land	0.2479 hectares	Shop lots and bungalow (Investment property)	Freehold / Under construction	285	30.06.08 (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 / 8 years	140	30.06.08 (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	18.06.08 (Date of Revaluation)
No 28 & 30, Jalan Nilam 1/3, Subang Hi-Tech Industrial Park, Batu 3, 40000 Shah Alam, Selangor.	2 plots of 1 ½ storey shop house	372.00 sq. m	Rented (Investment Property)	Freehold / 12 years	710	25.11.04 (Date of Revaluation)

List Of Properties As at 31 August 2008 (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 three-storey office block	10,055.78 sq. m	Office with furniture manufacturing facilities	99 years leasehold expiring in 29-12-2094 / 11 years	2,975	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 / 5 years	2,936	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 / 9 years	1,346	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	PE form manufacturing facilities	99 years Leasehold expiring in 29-12-2094 / 4 years	1,435	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 / 6 years	665	07.04.01 (Date of Acquisition)
No 116, Lorong Hang Jebat, Melaka.	2 ½ storey shophouse	237.55 sq. m	Vacant (Investment property)	Freehold / 24 years	350	20.08.08 (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	20.08.08 (Date of Valuation)

List Of Properties As at 31 August 2008 (cont'd)

Address / Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Revaluation / Acquisition
Lot 127, Lot Kawi Kinarut Industrial Estate Phase 1, District of Penambang, Kota Kinabalu, Sabah.	Industrial Building	1,538.00 sq. m	Office with warehouse facilities (Investment property)	60 Years leasehold expiring in 31-12-2042 / 14 years	850	25.09.08 (Date of Valuation)
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 / 6 years	7,707	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 / 2 years	4,311	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 / 2 years	4,878	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 / 17 years	2,909	31.03.06 (Date of acquisition)

ANALYSIS OF SHAREHOLDINGS AS AT 31 DECEMBER 2008

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

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
less than 100 shares	8	0.35	240	0.00
100 to 1,000 shares	284	12.55	259,566	0.21
1,001 to 10,000 shares	1,204	53.20	6,376,542	5.04
10,001 to 100,000 shares	626	27.66	21,355,821	16.88
100,001 to less than 5% of issued shares	140	6.19	81,768,113	64.64
5% and above of issued shares	1	0.04	16,745,218	13.24
Total	**2,263**	**100.00**	**126,505,500**	**100.00**

ANALYSIS OF WARRANTS HOLDINGS AS AT 31 DECEMBER 2008

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 warrantholders' meeting

DISTRIBUTION SCHEDULE OF WARRANTS HOLDINGS

Size of Warrants holdings	No. of Warrants holders	% of Warrants holders	No. of Warrants	% of Issued Warrants
less than 100 warrants	38	5.54	1,986	0.01
100 to 1,000 warrants	204	29.74	96,910	0.46
1,001 to 10,000 warrants	224	32.65	1,246,278	5.91
10,001 to 100,000 warrants	180	26.24	6,999,695	33.20
100,001 to less than 5% of issued warrants	39	5.69	10,989,981	52.12
5% and above of issued warrants	1	0.15	1,749,400	8.30
Total	**686**	**100.00**	**21,084,250**	**100.00**

SUBSTANTIAL SHAREHOLDERS
(Based on the Register of Substantial Shareholders)

	No. of Shares Held		% of Issued Share Capital	
Name of Shareholders	**Direct**	**Indirect**	**Direct**	**Indirect**
Dato' Koh Low @ Koh Kim Toon	24,007,324	330,050 [a]	18.98	0.26
Neo Tiam Hock	6,336,896	7,331,518 [b]	5.01	5.80

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

	No. of Shares Held		% of Issued Share Capital	
Name of Directors	**Direct**	**Indirect**	**Direct**	**Indirect**
Dato' Koh Low @ Koh Kim Toon	24,007,324	330,050 [a]	18.98	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' Seri Tan King Tai @ Tan Khoon Hai	4,640,120	1,218,050 [d]	3.67	0.96
Ng Sey Wee @ Ang Seh Wee	2,460,510		1.94	
Ng Ah Leet @ Ah Heet	2,166,494		1.71	
Khairilanuar 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

			No of Direct	% of Issued
Name		**Relationships**	**Shares Held**	**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	1,218,050	0.96

THIRTY LARGEST SECURITIES ACCOUNT - SHAREHOLDERS AS AT 31 DECEMBER 2008

No	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1	KOH LOW @ KOH KIM TOON	16,745,218	13.24
2	NEO TIAM HOCK	5,086,896	4.02
3	NEO CHEE KIAT	3,858,210	3.05
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PERINDASTRIAN MADAH SDN. BHD	3,753,058	2.97
5	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	3,424,211	2.71
6	MIMB INVESTMENT BANK BERHAD	2,510,361	1.98
7	NG SEY WEE @ ANG SEH WEE	2,460,510	1.94
8	LIM MUI MIAW	2,380,800	1.88
9	NG AH LEET @ AH HEET	2,166,494	1.71
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (471821)	2,161,700	1.71
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)	2,011,500	1.59
12	NEO CHEE KIAT	2,000,000	1.58
13	PI SIU CHAN @ PEE KOON FOOI	1,905,228	1.51
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (E-BMM)	1,551,500	1.23
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	1,500,000	1.19
16	TSAI, MING-FANG	1,285,938	1.02
17	LIM NGAK CHEW	1,279,800	1.01
18	NEO TIAM HOCK	1,250,000	0.99
19	LEO HUA MOI	1,246,350	0.99
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON (473933)	1,235,500	0.98
21	TEE GEE SIA	1,132,750	0.90
22	SOH GOK LIAN	1,116,800	0.88
23	KOO KEK	1,024,050	0.81
24	LOW CHONG HAI	1,000,000	0.79
25	AH MOY @ KHOO AH MOY	962,400	0.76
26	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR TAN KING TAI @ TAN KHOON HAI (SMART)	920,700	0.73
27	CHUA LEE SENG	887,368	0.70
28	TAN KIM POO	755,844	0.60
29	NEO CHEE HOW	739,154	0.58
30	NEO CHEE HSIAN	724,154	0.57

THIRTY LARGEST SECURITIES ACCOUNT - WARRANTS HOLDERS AS AT 31 DECEMBER 2008

No	Name of Warrants holders	No. of Warrants Held	% of Issued Warrants
1	PHNUAH FARN FARN	1,749,400	8.30
2	TAN KING TAI @ TAN KHOON HAI	913,129	4.33
3	FRANCIS CHAI KIM LUNG	900,000	4.27
4	ORCHID CITY SDN. BHD.	600,034	2.85
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD YAP KOK KEONG (T-1441016)	580,000	2.75
6	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI YAM KOOI (M01)	546,400	2.59
7	PHNUAH FARN FARN	514,214	2.44
8	NEO TIAM HOCK	431,149	2.04
9	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEN SOON LEE	425,500	2.02
10	TEE GEE SIA	392,175	1.86
11	GOH CHUO CHAI	350,000	1.66
12	CHAN LEE YUEN	344,000	1.63
13	KOH SOO @ KOH KIM CHIU	343,700	1.63
14	TEOH ENG HOE	300,000	1.42
15	KOH LOW @ KOH KIM TOON	255,180	1.21
16	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KOON SENG	250,000	1.19
17	CHAN MEI CHENG	235,375	1.12
18	PERN HOCK SENG	230,000	1.09
19	MOHAMAD SELAMAT BIN BAKIN	200,000	0.95
20	SIVARAJAH ARASU A/L THIRUNAVUK ARASU	200,000	0.95
21	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR TAI ENG HUAT (003)	200,000	0.95
22	LIEW YUEH MING	194,600	0.92
23	TING BEE TOO	185,025	0.88
24	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD ANG LIAN HUAY (T-1441041)	179,800	0.85
25	TEE GEOK CHONG	170,000	0.81
26	SO SIEW ENG	161,300	0.77
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIA TENG THO	160,000	0.76
28	BOEY KOK ON	150,000	0.71
29	CHONG KOK SOO	150,000	0.71
30	KU KOK KIT	150,000	0.71

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth (9th) 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, 16th day of February, 2009 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 2008 and the Reports of the Directors and Auditors thereon. (Resolution 1)

2 To re-elect Directors retiring under the Company's Articles of Association

(a)	Neo Chee Kiat	(Article 91)	(Resolution 2)
(b)	Dato' Seri Tan King Tai @ Tan Khoon Hai	(Article 91)	(Resolution 3)
(c)	Neo Tiam Hock	(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)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

4 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)

5 "THAT pursuant to the Company's Employees' Share Option Scheme ("the ESOS") as approved at the Extraordinary General Meeting of the Company held on 25 August 2004, the Directors of the Company be and are hereby authorised, in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the ESOS". (Resolution 7)

6 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
23 January 2009

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 his 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

Statement Accompanying Notice Of Annual General Meeting
(Pursuant to Paragraph 8.28(2) of the Listing Requirements of BMSB)

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

Neo Chee Kiat	(Article 91)
Dato' Seri Tan King Tai @ Tan Khoon Hai	(Article 91)
Neo Tiam Hock	(Article 91)

2 Details of the profile of the above directors are set out in the Directors' Profile on page 9 of this Annual Report.

3 Details of the above directors' interest in the securities of the Company are set out in the Directors' Report on page 26 to 27 of this Annual Report.

4 The above directors' family relationship with other directors and/or substantial shareholder of the Company is disclosed in the Directors' Profile on page 9 of this Annual Report.

5 None of the above directors has any conflict of interest in the Company.

6 None of the above directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

7 None of the directors hold any directorship in any public listed company other than Dato' Seri Tan King Tai @ Tan Khoon Hai is a director of Pensonic Holdings Berhad and Unimech Group Berhad.

This page has been intentionally left blank

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 Ninth 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, 16th day of February, 2009, 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 2008 and the Reports of the Directors and Auditors thereon.	**Resolution 1**		
To re-elect Directors retiring under the Company's Articles of Association:- (a) Neo Chee Kiat (Article 91) (b) Dato' Seri Tan King Tai @ Tan Khoon Hai (Article 91) (c) Neo Tiam Hock (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**		

(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 ____________________ 2009

____
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 his holding to be represented by each proxy.
3 The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney duly authorised in writing and in the case of a corporation under its common seal or under the hand of an officer or attorney duly authorised.
4 To be valid the proxy form must be duly completed and deposited at the registered office of the Company, No. 67, 2nd Floor, Room B, Jalan Ali, 84000 Muar, Johor, not less than forty eight (48) hours before the time for holding the meeting.

FOLD HERE

FOLD HERE

STAMP

UDS CAPITAL BERHAD
(502246-P)

The Secretary,
No. 67, 2nd Floor, Room B, Jalan Ali,
84000 Muar,
Johor Darul Takzim.

FOLD HERE