UDS

UDS CAPITAL BERHAD 502246-P

ANNUAL REPORT 2010

ANNUAL REPORT 2010

UDS CAPITAL BERHAD (502246-P)

www.udscap.com

CONTENTS

PASSION IN EVERY STITCH

Our dedication to our craft is exemplified in our passion and in the intricate craftsmanship of our finished products. The image boldly displays this passion. We believe our products redefine the art of living in homes and offices across the globe. The puzzle-styled execution and the firm hands portray the idea that we are the experts who know how to piece together a work of exquisite craftsmanship second to none; while the logos on these puzzle pieces represent our subsidiaries and the group as we work hand-in-hand to deliver excellence. The tight-knit stitches portray our strength and core philosophy; and most importantly our quality.

DIRECTORS

Dato' Koh Low @ Koh Kim Toon
Executive Chairman

Neo Chee Kiat
Managing Director

Neo Tiam Hock
Executive Director

Ng Sey Wee @ Ang Seh Wee
Executive Director

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

Ng Ah Leet @ Ah Heet
Non-Independent Non-Executive Director

Tan Kui Hwa
Independent Non-Executive Director

Koh Ru Ching
Independent Non-Executive Director

Corporate Information

AUDIT COMMITTEE

Hj Ismail Bin Tunggak @ Hj Ahmad
Committee Chairman

Tan Kui Hwa

Koh Ru Ching

NOMINATION COMMITTEE

Hj Ismail Bin Tunggak @ Hj Ahmad
Committee Chairman

Tan Kui Hwa

Koh Ru Ching

REMUNERATION COMMITTEE

Hj Ismail Bin Tunggak @ Hj Ahmad
Committee Chairman

Ng Sey Wee @ Ang Seh Wee

Tan Kui Hwa

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 2625 333
Fax : 04 2622 018

REGISTERED OFFICE

67, 2nd Floor, Room B, Jalan Ali
84000 Muar, Johor Darul Takzim
Tel : 06 9541 818
Fax : 06 9525 823

PRINCIPLE PLACE OF BUSINESS

PTD 6001, Jalan Perindustrian 5
Kawasan Perindustrian Bukit Bakri
Batu 8, 84200 Muar
Johor Darul Takzim
Tel : 06 9865 236
Fax : 06 9865 239
Email : udholdings@myjaring.net

STOCK EXCHANGE LISTING

Main Market of the
Bursa Malaysia Securities Berhad

WEBSITE

www.udscap.com

UDS Capital Berhad
(502246-P)

100%

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

100%

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

100%

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

100%

SWS HOMES (M) SDN. BHD. (881392-A) **("SWSH")**

Corporate Structure

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

99.42%
友利 UD
U.D. INDUSTRIES SDN. BHD. (192321-U)
("UDI")

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

100%*
SYARIKAT U.D. TRADING CORPORATION SDN. BHD. (737454-A)
("UDTC")

100%
友利 UD
U.D. PANELFORM SDN. BHD. (120394-P)
("UDP")

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

* Equity interest increased from 65% to 100% effective 11 January 2011

On behalf of the Board of Directors of UDS Capital Berhad ("the Board"), I am pleased to present you with the annual report and the audited financial statements of the Group and the Company, for the year ended 31 August 2010.

Chairman's Statement

INDUSTRY TREND

It was another tough year for UDS Capital Berhad ("the Group") and the overall wood based manufacturing industry. The financial crisis spread to other economic sectors. Large fiscal spending and aggressive monetary easing measures were introduced by major governments. However, headwinds persisted in the housing and consumption fronts. Household spending is increasing but remains constrained by high unemployment, modest income growth and tight credit. Housing starts remain at depressed level. The financial conditions have become less supportive of economic growth because of the European sovereign debt problems.

CORPORATE DEVELOPMENT

The Company's wholly-owned subsidiary, Sin Wee Seng Industries Sdn Bhd has on 14 December 2009, acquired two ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of SWS Homes (M) Sdn Bhd ("SWS Homes") for a total cash consideration of RM2.00. SWS Homes is presently dormant and its proposed business is to be an investment holding company for intended investment in Vietnam.

In line with the Group's strategies to realise non-core assets into cash, its wholly-owned subsidiary, Syarikat U.D Trading Sdn Bhd completed the disposal of its three storey shop house for a total cash consideration of RM465,000 on 22 December 2009 and completed the disposal of a parcel of industrial land for RM1,150,412 on 9 February 2010. The subsidiary also completed the disposal of all its quoted securities for RM2,005,073 in the month of August 2010.

The Group continued to stay focused on increasing technical efficiency and productivity by optimising cost and managing finances astutely. Its 99.42% subsidiary, U.D Industries Sdn Bhd, ceased its manufacturing of staples, nails and polyethylene foam activities by disposing its plant and machineries for RM792,000.00. Meanwhile, the Group converted one of its full furniture lines into a furniture parts manufacturing facility during the financial year.

PERFORMANCE AND FINANCIAL REVIEW

The Group began the financial year with the world struggling to manage the global financial crisis as credit markets were paralysed with fears of systemic failure in the international financial markets. However, the Group is still seeing moderate improvement in demand and prices stabilising in our key markets. The Group's revenue increased by 5% to RM144.9 million, supported by the veneer lamination business with sales improved by more than 40% to RM8 million. Export sales increased by 1.5% to RM82.6 million.

In line with the higher sales, our gross profit improved to RM17.5 million from RM14.7 million previously. Gross profit margin advanced to 12.1% from 10.7%. The Group's loss before taxation reduced to RM3.1 million in the current financial year as compared to RM4.4 million in FY2009 and RM8.7 million in FY2008. The improvement was attributable to cost containment measures like reduction in material wastage, lowering the rejection rate and promoting increased efficiency throughout the Group. We continued to stay focused on our strategy of introducing value-based products that cement our differentiation in the marketplace.

DIVIDENDS

The Board does not recommend any payment of dividends in respect of the financial year ended 31 August 2010.

PROSPECTS

Home furnishing sales are directly influenced by a number of key economic drivers including homes sales, unemployment, wages, consumer spending and consumer confidence. Consumers are still exhibiting restraint following the recession. The US housing slump keeps taking a toll on the economy with construction spending in July falling twice as much as expected. The depreciating US Dollar against the Ringgit will not augur well for our export business.

Going forward, we will continue to be vigilant of the market changes and refine our business strategies and incorporate measures that will allow us to focus on our core strengths. Every effort will be made to mitigate risks and further increase operational efficiency in positioning our core business for growth opportunities. We plan to strengthen the procurement operations to further ensure that quality material and services will meet the customers' satisfaction at competitive prices. We are confident to weather the challenge on the back of an improving financial position and the vast experience of the efficient and prudent management team.

APPRECIATION

On behalf of the Board, I wish to express my 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 their confidence and support to the Board and management team.

And finally, I have indicated to my fellow Board members that I am not seeking re-election as director at the forthcoming Annual General Meeting of the Company. I would like to extend my appreciation to my fellow Board members for their continuing support and encouragement throughout this challenging period.

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

05 January 2011

Board of Directors' Profile

Dato' Koh Low @ Koh Kim Toon
Malaysian, aged 58
Executive Chairman

Dato' Koh Low @ Koh Kim Toon (Executive Chairman), aged 58, a Malaysian, was appointed as the Executive Chairman on 30 November 2003. He has more than 27 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 the status of a small scale manufacturer into its current position as one of the major lamination board manufacturers in Malaysia. He is currently responsible for overall business operations and strategic planning. He is the Adviser to the Muar Furniture Association. He sits on the board of Emivest Berhad and Teo Seng Capital Berhad which are listed on the Main Market of Bursa Malaysia Securities Berhad ("BMSB"). He also sits on board of 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
Malaysian, aged 40
Managing Director

Neo Chee Kiat (Managing Director), aged 40, a Malaysian, was appointed as the Managing Director on 30 November 2003. He assisted his father in the day-to-day marketing and sofa related operations of Kim Seng sole proprietorship business in 1988 and later he joined SWS as a Director. With more than 21 years' experience in the manufacturing of sofa furniture, he has steered SWS from its status as a small-scale manufacturer to that of one of the major sofa manufacturers and exporters in Malaysia. He is responsible for the overall business planning and marketing strategy of the Group. He is the Vice President of the Federation of Johor Furniture Manufacturers and Traders Association, Vice President of the Malaysian Furniture Industry Council and the Secretary General of the Muar Furniture Association. He 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.

Neo Tiam Hock
Malaysian, aged 64
Executive Director

Neo Tiam Hock (Executive Director), aged 64, a Malaysian, was appointed as the Executive Director on 30 November 2003. He is the founder of SWS. He has more than 45 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 operations 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 who is also a major shareholder of the Company.

Ng Sey Wee @ Ang Seh Wee
Malaysian, aged 64
Executive Director

Ng Sey Wee @ Ang Seh Wee (Executive Director), aged 64, a Malaysian, was appointed as the Executive Director on 30 November 2003 and was also appointed as a member of Remuneration Committee on 26 October 2010. He has approximately 15 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 responsibilities include the sourcing of raw materials, as well as the 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.

Hj Ismail Bin Tunggak @ Hj Ahmad
Malaysian, aged 60
Independent Non-Executive Director

Hj Ismail Bin Tunggak @ Hj Ahmad (Independent Non-Executive Director), aged 60, a Malaysian, was appointed as the Independent Non-Executive Director on 30 November 2003 and is presently the Chairman of the Audit Committee, 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 sits on the board of Muar Ban Lee Group Berhad which is listed on the Main Market of BMSB He has no family relationship with any other Directors or major shareholders of the Company.

Board of Directors' Profile (continued)

Ng Ah Leet @ Ah Heet
Malaysian, aged 62
Non-Independent Non-Executive Director

Ng Ah Leet @ Ah Heet (Non-Independent Non-Executive Director), aged 62, a Malaysian, was appointed as the Non-Independent Non-Executive Director on 1 March 2006. He has approximately 34 years' experience in marketing and administration in the motor vehicles industry as well as in the plastics industry. He sits on the board of a few other private limited companies. Mr. Ng Ah Leet is a brother-in-law of Dato' Koh Low @ Koh Kim Toon.

Tan Kui Hwa
Malaysian, aged 37
Independent Non-Executive Director

Tan Kui Hwa (Independent Non-Executive Director), aged 37, a Malaysian, was appointed as the Independent Non-Executive Director on 21 April 2009, and is presently a member of the Audit Committee, Nomination Committee and Remuneration Committee. He graduated from the Institute of Art with a Diploma in Interior Design in 1988. He started his career by venturing into the interior design business. He is currently a council member of the Youth Division of Chinese Chambers of Commerce, Muar. 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.

Koh Ru Ching
Malaysian, aged 31
Independent Non-Executive Director

Koh Ru Ching (Independent Non-Executive Director), aged 31, a Malaysian, was appointed as the Independent Non-Executive Director on 7 September 2009 and is presently a member of the Audit Committee and the Nomination Committee. She obtained her Bachelor of Commerce degree from the University of Tasmania, Australia in 2000. She is also a member of Certified Practising Accountant in Australia and member of Chartered Accountant of Malaysian Institute of Accountants since 2004. She joined the accounting practice of SC Lim, Ng & Co in Muar as auditor in 2001 and is presently the audit manager of the firm. She has no family relationship with any other Directors or major shareholders of the Company.

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Malaysian, aged 55
Non-Independent Non-Executive Director

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (Non-Independent Non-Executive Director), aged 55, a Malaysian, was appointed as the Executive Director on 30 November 2003 and was re-designated to Non-Executive Director on 12 August 2010 and subsequently vacated office on 26 October 2010. He is a member of The Institute of Certified Public Accountants, Ireland and is currently a 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 31 years of experience in the fields of auditing, accounting and company secretarial services. He sits on the board of Pensonic Holdings Berhad, Unimech Group Berhad and Muar Ban Lee Group Berhad which are listed on the Main Market of 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.

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 is committed to ensure that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted with integrity, transparency and professionalism with the objective of safeguarding shareholders' investment as well as the interests of other stakeholders.

The Board, to the best of its knowledge, has applied the principles and the extent 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 2010.

DIRECTORS

1. The Board and Board Balance

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

To ensure that there is a balance of power and authority, the Executive Chairman is responsible for ensuring the effective conduct of the Board, monitoring quarterly results so as to meet its corporate goals and objectives. The Managing Director, with the assistance of the Executive Directors, is responsible for the day to day management of the business as well as 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 roles of the Independent Non-Executive Directors are particularly important as they provide robust and independent views, advice and true and fair judgement which takes into account the long term interest, not only of the Group but also of shareholders, employees and other stakeholders of the Company.

2. Attendance at Meetings

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

Director	Attendance
Executive Directors	
Dato' Koh Low @ Koh Kim Toon	4 of 4
Neo Chee Kiat	4 of 4
Neo Tiam Hock	4 of 4
Ng Sey Wee @ Ang Seh Wee	4 of 4
Non-Executive Directors	
Hj Ismail Bin Tunggak @ Hj Ahmad	4 of 4
Ng Ah Leet @ Ah Heet	4 of 4
Tan Kui Hwa	3 of 4
Koh Ru Ching	4 of 4
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai *	1 of 4

** Vacated office on 26 October 2010*

3. Supply of Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, 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 meeting. This allows the Directors to obtain further explanations and clarifications, where necessary, in order to be properly briefed before each meeting. The Directors have access to the advice and service of the Company Secretary and where necessary, obtain independent professional advice at the Company's expense in the furtherance of their duties. The Company Secretary's role is to ensure that the Board's policies, procedures and any statutory and regulatory requirements pertaining to a Director's 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 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

The Nomination Committee was established by the Board on 25 October 2004, comprising three Independent Non-Executive Directors.

The members are:

Chairman:

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

Member:

Tan Kui Hwa
(Independent Non-Executive Director)

Koh Ru Ching
(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 to recommend 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

The Remuneration Committee was established on 25 October 2004, comprising two Independent Non-Executive Directors and one 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 on outside advice if necessary. Nevertheless, the determination of remuneration packages of Directors is a matter for the Board as whole and individuals are required to abstain from discussion of their own remuneration.

The members are:

Chairman:

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

Member:

Ng Sey Wee @ Ang Seh Wee
(Executive Director)
(Appointed on 26 October 2010)

Tan Kui Hwa
(Independent Non-Executive Director)

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (Non-Independent Non-Executive Director (Vacated office on 26 October 2010)

8. Audit Committee

The Audit Committee was established 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 are 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 26 (c) of 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 Main Market 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 the 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 Board acknowledges the need for shareholders to be informed of all material business and corporate development affecting the Group. The timely release of quarterly and annual financial results of the Group and the issue of the Company annual report provide regular information on the state of affairs of the Group. These, together with announcements to the BMSB, circulars to shareholders are the principal channels for dissemination of information to shareholders, investors and the public in general. Information on the Group is also available on the Company website: www.udscap.com.

Annual General Meeting presents the main venue for communication between the shareholders and the Company. Shareholders are encouraged to attend and participate at the meeting. Shareholders who are unable to attend are allowed to appoint proxies. Members of the Board as well as the external auditors of the Company are present to provide responses to questions from the shareholders during this meeting.

The Board has appointed Hj Ismail Bin Tunggak @ Hj Ahmad as a Senior Independent Non-Executive Director to whom concerns may be conveyed.

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance and prospects 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 the Group's assets, as well as 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 to the 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.

The Audit Committee met with the auditors without the presence of the Executive Directors twice during the current financial year.

Audit Committee Report

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

The Committee members, of whom all are Independent Non-Executive (and their respective designations) who have served during the current financial year are as follows:-

Member	Designation
Hj Ismail Bin Tunggak @ Hj Ahmad	Chairman
Tan Kui Hwa	Member
Koh Ru Ching	Member

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 Directors.

All members of the Committee shall be financially literate and at least one member of the Committee must fulfill the Paragraph 15.09(1)(c) of the Main Market Listing Requirements of 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 authorised 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 a Sub-Audit Committee to carry out certain investigations 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 Directors.

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, a representative of the outsourced internal auditors 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 follows and will cover the Company and its subsidiaries:

- Review and assess the adequacy and effectiveness of the system of internal control and accounting control procedures by reviewing the external auditors' management letters and management response.
- Consider the appointment of external auditors, their terms of appointment and reference and any questions of resignation or dismissal.
- Review the adequacy of the scope, functions, 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's 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, Main Market 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.
- Report promptly to BMSB if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in breach of the Main Market Listing Requirements of BMSB.
- 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
Hj Ismail Bin Tunggak @ Hj Ahmad	4 of 4
Tan Kui Hwa	3 of 4
Koh Ru Ching	4 of 4

DIRECTORS' TRAINING

The details of the relevant training sessions attended by each director during the current financial year are as follows:-

Training programmes attended	Date
Dato' Koh Kim Toon	
Financial Instruments: recognition, measurement, disclosure and presentation	7-Dec-09
Neo Chee Kiat	
Tax implications related to the implementation of FRS	24-Mar-10
Quarterly Interim Financial Reporting	18-Jun-10
Neo Tiam Hock	
Getting your business GST ready	24-Mar-10
Ng Sey Wee @ Ng Seh Wee	
National Seminar on Taxation	12-Nov-09
Hj Ismail Bin Tunggak @ Hj Ahmad	
National Seminar on Taxation	12-Nov-09
Ng Ah Leet @ Ah Heet	
National Seminar on Taxation	12-Nov-09
Tan Kui Hwa	
National Seminar on Taxation	12-Nov-09
Quarterly Interim Financial Reporting	18-Jun-10
Koh Ru Ching	
Valuation Method – WACC, Practical Computations and Issues	05-Mar-10
Financial Instruments FRS 139 and FRS 9	30-Aug-10

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 independent professional risk management company ("internal auditors") to assist the Company to strengthen its internal audit processes during the financial year. The internal auditors are engaged 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 control 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 control.

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 activities undertaken by the internal auditors during the financial years are as follow:

- Inventory costing system and inventory quality management control.
- Property, plant and equipment and capital expenditure process, and
- Human resources function.

The internal auditors have documented key findings from the internal audit carried out. They have discussed with key personnel on the recommendation for internal control improvement and provided the Committee with independent and objective reports on the state of the internal control and recommendations for improvements of the various operating units within the Group.

The expenditure incurred for the internal audit function for the current financial year was RM22,050.

EMPLOYEE' SHARE OPTION SCHEME ("ESOS") STATEMENT

The Group's ESOS was in force for 5 years effective 13 September 2001, and expired on 12 September 2009. The allocation of the ESOS is disclosed in Note 18(a) of the Notes to the Financial Statement herein.

No allocation of ESOS was made and none of the Non-Executive Directors was offered/granted and exercised any options pursuant to the ESOS during the current financial year.

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.
- Review and discuss the draft copy of the circular to the shareholder for proposed mandate for recurrent related party transactions.
- Review the internal audit report.
- Brief the Board on any major issues discussed at the Committee meeting for further deliberation or decision as the case may be.

Statement on Internal Control

INTRODUCTION

In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of 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 2010.

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 by the Group are properly documented and communicated to staff members so as to ensure clear accountabilities. The effectiveness of internal control procedures is subject to continuous assessments, reviews and improvements.

- The organisational structure is well defined, with clear lines of responsibility 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 heads of departments meet regularly to discuss operational, corporate, financial and key management issues.

- An 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 outsources its internal audit function to an independent professional risk management company ("Internal Auditors"). 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's internal control system. The internal audit focuses on regular and systematic reviews of the financial systems and operational internal control, in anticipating potential risk exposures over key business processes.

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.

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 amounted to RM10,575 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 were no profit guarantees given by the Company during the financial year.

MATERIAL CONTRACTS

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

RECURRENT RELATED PARTY TRANSACTIONS

Details of the recurrent related party transactions undertaken by the Group during the financial year are disclosed in Note 32(b) of the Financial Statements herein.

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 flow for the financial year then ended.

The financial statements are prepared in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia.

In preparing the financial statements, the Directors have selected appropriate accounting policies and 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.

Statement of Corporate Social Responsibility

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

COMMUNITY

As an integral part of the communities in which we operate, the Group continues its efforts to care for people in need, actively participating in and supporting different charity projects. During the year, the Group has contributed to various charity organisations around the towns which we have been operating in.

ENVIRONMENT

The Group is supportive of all efforts to reduce or dispose wastage properly and to optimise efficiency in our operations. Employees are encouraged to participate in environmental activities and to develop keen awareness in the areas of concern. The Group ensured compliance with all environmental 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 include recycling waste materials and usage of electrical instead of fuel consumed forklifts.

WORKPLACE

The Group's success comes from people. The Group strives to ensure the 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 and training, health inspection and fire fighting equipment inspection.

UDS CAPITAL BERHAD
(Company No. 502246-P)
(Incorporated in Malaysia under the Companies Act, 1965)

Date : 03 January 2011

To : Dear Valued Shareholders

Re : IMPLEMENTATION OF ELECTRONIC DIVIDEND PAYMENT ("eDividend")

We refer to the eDividend (Electronic Dividend) service which all companies listed on Bursa Malaysia Securities Berhad ("listed issuers") are required to implement effective 1 September 2010 and append below the information on the same for your attention.

The eDividend refers to the payment of cash dividends by a listed issuer directly into the shareholders' bank accounts. One of the main objectives of implementing eDividend is to promote greater efficiency of the payment system which is aligned to the national agenda of migrating to electronic payment.

Benefits of eDividend

eDividend provides, amongst others, faster access to your cash dividends, eliminates the inconvenience of having to deposit the dividend cheques and problems such as misplaced, lost or expired cheques, and unauthorised deposit of dividend cheques.

When you register for eDividend, you will enjoy the following benefits:-
the convenience of a one-off registration for entitlement to eDividend from all listed issuers; and

the option to consolidate the dividends from all your Central Depository System ("CDS") accounts into one bank account for better account management.

Registration of eDividend

Registration of eDividend had commenced on 19 April 2010 for a period of one year until 18 April 2011, at no cost to the shareholders. If you register after the one-year period, an administrative charge will be imposed.

To register for eDividend, you are required to provide to Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") through your stockbroker, your bank account number and other information by completing the prescribed form. This form can be obtained from your stockbroker's office where your CDS account is maintained, or downloaded from Bursa Malaysia Securities Berhad's website at http://www.bursamalaysia.com.

You need to submit to your stockbroker's office where your CDS account is maintained, the duly completed prescribed form and the following for registration:-

(a) Individual depositor : Copy of identification documents i.e. NRIC, Passport, Authority Card or other acceptable identification documents. Original documents must be produced for your stockbroker's verification;

Corporate depositor : Certified true copy of the Certificate of Incorporation/Certificate of Registration; and

(b) Copy of your bank statement/bank savings book/details of your bank account obtained from your banks website that has been certified by your bank/copy of letter from your bank confirming your bank account particulars. For individuals, original documents must be produced for your stockbroker's verification. For corporate entities, a certified true copy is to be submitted.

If the CDS account is held in the name of a nominee, the nominee will register for the eDividend.

If you are not able to be present at your stockbroker's office to submit the prescribed form and supporting documents, please ensure that the signing of the prescribed form and the supporting documents have been witnessed by an acceptable witness specified by Bursa Depository. In this regard, an acceptable witness includes an Authorised Officer of your stockbroker, a Dealer's Representative, a notary public and an Authorised Officer of the Malaysian Embassy/High Commission.

Notification of eDividend payment after registration

You are encouraged to provide in the prescribed form to Bursa Depository both your mobile phone number and e-mail address, if any. This is to enable the Company to issue electronic notification to you either via e-mail or sms, at the discretion of the Company, once the Company has paid the cash dividend out of its account. Please note that if you provide only your mobile phone number, you may only be notified of the cash dividend payment when you receive your dividend warrant or tax certificate.

Additional information for shareholders

Your savings or current account, must be an active bank account, maintained with a local bank under your name or in the case of a joint account, with your name as one of the account holders. It must also be a bank account with a financial institution that is a member of the Malaysian Electronic Payment System Inter-Bank GIRO (IBG), which can be found on this website: http://www.meps.com.my/faq/interbank_giro.asp?id=2#answer.

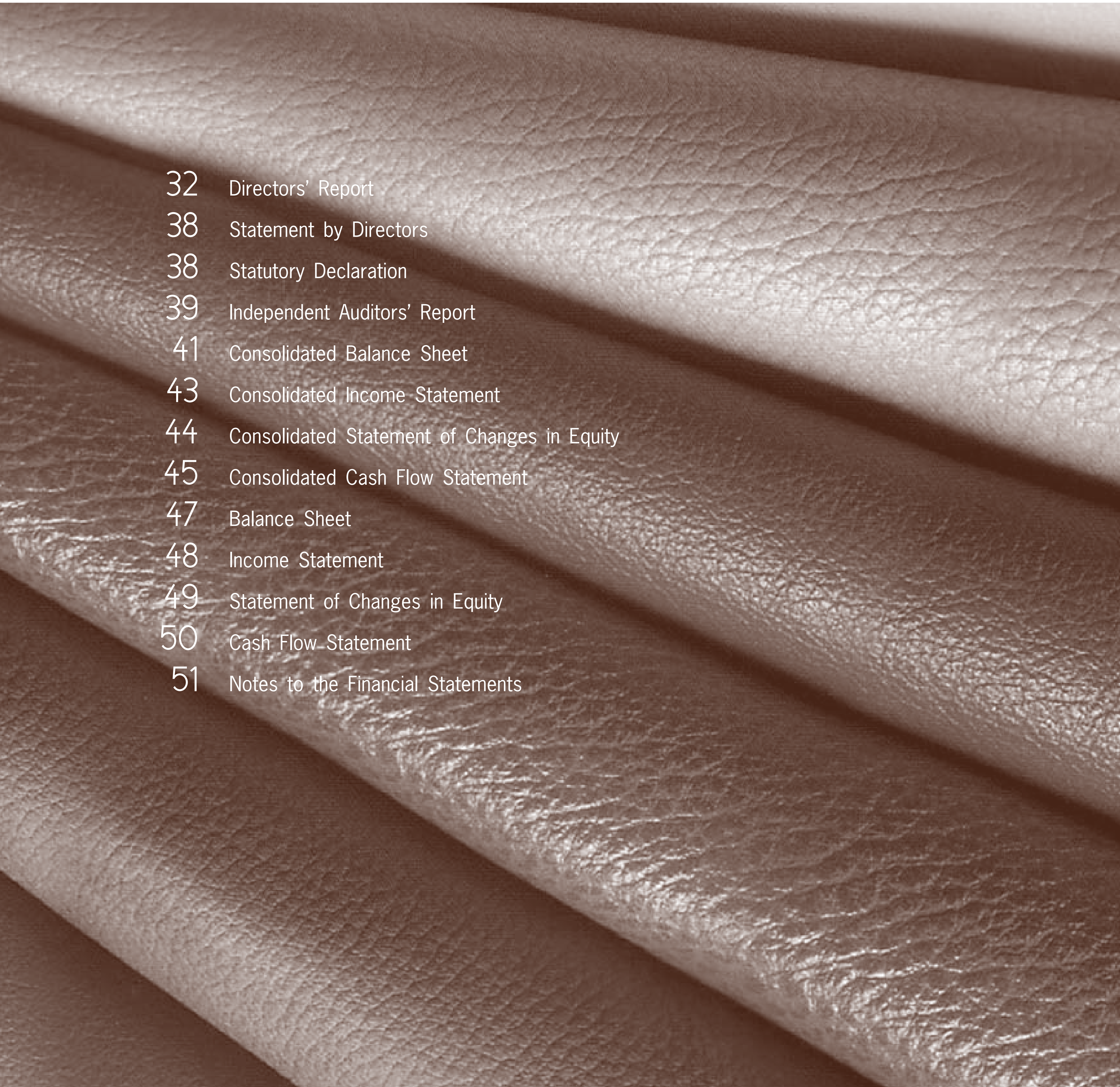
Your bank account particulars and other related information are protected under the Securities Industry (Central Depositories) Act 1991 which strictly prohibits the disclosure of such information to any person unless you expressly authorise the disclosure in writing. For eDividend purposes, you will be authorising disclosure of your bank account particulars and other related information to persons necessary to facilitate the eDividend such as the Company, the share registrar and the appointed paying banks.

We look forward to a successful implementation of eDividend through your active participation, and to serving you better as our valued shareholders. If you have any queries relating to eDividend, please do not hesitate to contact our share registrar, Plantation Agencies Sdn Bhd, at 04-262 5333.

Thank you.

UDS Capital Berhad

FINANCIAL STATEMENTS



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 2010.

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 RM	Company RM
Loss for the financial year	(2,933,396)	(6,773,501)
Attributable to:		
Equity holders of the Company	(2,695,626)	(6,773,501)
Minority interests	(237,770)	–
	(2,933,396)	(6,773,501)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except 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. 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 ESOS expired on 12 September 2009.

The salient features of the ESOS are as disclosed in note 18 (a) to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME ('ESOS') (CONTINUED)

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 RM**	**01 September 2009**	**Exercised**	**Expired on 12 September 2009**	**31 August 2010**
13.09.2004	12.09.2009	0.58	4,981,971	–	(4,981,971)	–

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 18 (b) to the financial statements.

The summary of movements of warrants is as follows:

		Number of warrants		
Date of issue	**Exercise price per warrant RM**	**01 September 2009**	**Exercised**	**31 August 2010**
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
Neo Tiam Hock
Ng Sey Wee @ Ang Seh Wee
Hj Ismail Bin Tunggak @ Hj Ahmad
Ng Ah Leet @ Ah Heet
Tan Kui Hwa
Koh Ru Ching
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai *(vacated office on 26.10.2010)*

In accordance with the Company's articles of association, Messrs. Dato' Koh Low @ Koh Kim Toon, Neo Chee Kiat and Hj Ismail Bin Tunggak @ Hj Ahmad retire at the forthcoming Annual General Meeting. Messrs Neo Chee Kiat and Hj Ismail Bin Tunggak @ Hj Ahmad, being eligible, offer themselves for re-election. Dato' Koh Low @ Koh Kim Toon is not seeking for re-election as director of the Company.

REMUNERATION COMMITTEE

Remuneration committee comprises:

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

Members : Mr. Tan Kui Hwa (Independent Non-Executive Director)
Ng Sey Wee @ Ang Seh Wee (Executive Director) *(appointed on 26.10.2010)*
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (Executive Director) *(vacated office on 26.10.2010)*

DIRECTORS' SHAREHOLDINGS

The directors holding office at the financial 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 2009	**Bought**	**Sold**	**31 August 2010**
Direct interest				
Dato' Koh Low @ Koh Kim Toon	24,007,324	–	(22,959,000)	1,048,324
Neo Chee Kiat	5,858,210	5,000,000	–	10,858,210
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4,640,120	–	–	4,640,120
Neo Tiam Hock	6,336,896	5,000,000	–	11,336,896
Ng Sey Wee @ Ang Seh Wee	2,460,510	–	(2,460,000)	510
Ng Ah Leet @ Ah Heet	2,166,494	–	(2,166,000)	494
Koh Ru Ching	7,000*	–	–	7,000
Indirect interest				
Dato' Koh Low @ Koh Kim Toon	330,050	–	–	330,050
Neo Chee Kiat	10,000	12,959,000	–	12,969,000
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	1,218,050	–	–	1,218,050
Neo Tiam Hock	7,331,518	17,959,000	–	25,290,518
Tan Kui Hwa	690,000	–	(690,000)	–

* At date of appointment on 07.09.2009

	Number of options over ordinary shares of RM0.50 each			
	01 September 2009	**Granted/ Exercised**	**Expired on 12 September 2009**	**31 August 2010**
Direct interest				
Dato' Koh Low @ Koh Kim Toon	225,372	–	(225,372)	–
Neo Chee Kiat	225,372	–	(225,372)	–
Tan Sri 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)	–
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)	–

DIRECTORS' SHAREHOLDINGS (CONTINUED)

	Number of warrants		
	01 September 2009	Bought/Sold/ Exercised	31 August 2010
Direct interest			
Dato' Koh Low @ Koh Kim Toon	261,967	–	261,967
Neo Chee Kiat	68	–	68
Tan Sri 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
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	235,375	–	235,375
Neo Tiam Hock	952	–	952

By virtue of their interests in the shares of the Company, Messrs. Neo Chee Kiat and Neo Tiam Hock are also deemed to have interests in the shares of all the subsidiary companies to the extent that the Company has an interest.

Other than as disclosed above, none of the other director in office at the end of the financial year had any interest in shares, options over shares and warrants of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than remuneration shown in note 26 (c) 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 32 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 which has expired on 12 September 2009.

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

a. Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

   i. to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance for doubtful debts had been made; and

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

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

   i. which would render the amounts written off for bad debts and 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.

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 09 November 2009, a subsidiary company, Syarikat U.D. Trading Sdn. Bhd., has entered into a Sale and Purchase Agreement to dispose a parcel of freehold industrial land with a carrying amount of approximately RM1,150,000 for sale consideration of approximately RM1,150,000. The transaction has been completed during the financial year.

b. On 14 December 2009, a subsidiary company, Sin Wee Seng Industries Sdn. Bhd., has acquired 100% equity interest in SWS Homes (M) Sdn. Bhd. ('SWS Home'), a private limited company incorporated in Malaysia for a cash consideration of RM2 from related parties. SWS Home is involved in property investment.

c. On 22 December 2009, a subsidiary company, Syarikat U.D. Trading Sdn. Bhd., has entered into a Sale and Purchase Agreement to dispose three storey building with a carrying amount of approximately RM148,000 for a sale consideration of approximately RM465,000. The transaction has been completed during the financial year.

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

Neo Chee Kiat
Director

Muar
Date: 06 December 2010

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 2010 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

Neo Chee Kiat
Director

Date: 06 December 2010

Statutory Declaration

I, Dato' Koh Low @ Koh Kim Toon, 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 06 December 2010)

Dato' Koh Low @ Koh Kim Toon

Before me,

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

Independent Auditors' Report

to the Members of UDS Capital Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of UDS Capital Berhad, which comprise the balance sheets as at 31 August 2010 of the Group and of the Company, and the income statements, statements 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 41 to 105.

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 2010 and of its financial performance and cash flows for the financial year then ended.

Independent Auditors' Report (continued)
to the Members of UDS Capital Berhad (Incorporated in Malaysia)

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 than the audit report on the financial statements of a subsidiary company with emphasis of matter as disclosed in note 7 to the financial statements.

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
1923/06/11(J)
Chartered Accountant

Date: 06 December 2010

67, 2nd Floor, Room A
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Johor Darul Takzim

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Consolidated Balance Sheet
as at 31 August 2010

	Note	2010 RM	2009 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	**43,240,557**	44,873,355
Prepaid lease payments	6	**2,294,653**	2,322,449
Investment properties	9	**3,309,000**	3,437,000
Other investments	10	**–**	1,523,475
Deferred tax assets	11	**224,438**	–
		49,068,648	52,156,279
Current assets			
Inventories	12	**19,528,188**	22,352,316
Receivables	13	**26,205,086**	24,784,241
Tax assets	15	**1,005,325**	1,003,657
Fixed deposits with licensed banks	16	**409,000**	2,822,136
Cash and bank balances		**7,727,608**	5,750,267
Non-current asset held for sale	17	**–**	1,150,412
		54,875,207	57,863,029
TOTAL ASSETS		**103,943,855**	110,019,308
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	18	**63,252,750**	63,252,750
Reserves	19	**(9,652,362)**	(6,956,736)
		53,600,388	56,296,014
Minority interests		**2,314,903**	2,552,673
Total equity		**55,915,291**	58,848,687

Consolidated Balance Sheet (continued)
as at 31 August 2010

	Note	2010 RM	2009 RM
LIABILITIES			
Non-current liabilities			
Borrowings	20	**2,506,052**	3,148,172
Deferred tax liabilities	11	**108,618**	108,618
		2,614,670	3,256,790
Current liabilities			
Payables	22	**13,778,753**	18,669,415
Tax liabilities	15	**12,000**	17,103
Borrowings	20	**31,623,141**	29,227,313
		45,413,894	47,913,831
Total liabilities		**48,028,564**	51,170,621
TOTAL EQUITY AND LIABILITIES		**103,943,855**	110,019,308

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

Consolidated Income Statement

for the financial year ended 31 August 2010

	Note	2010 RM	2009 RM
Revenue	23	**144,916,648**	137,655,279
Cost of sales	24	**(127,371,436)**	(122,980,670)
Gross profit		**17,545,212**	14,674,609
Other income	25	**2,059,525**	2,665,242
Administrative expenses		**(13,541,598)**	(12,087,948)
Selling and distribution expenses		**(7,208,323)**	(7,216,369)
Other expenses		**(890,212)**	(941,196)
Operating loss	26	**(2,035,396)**	(2,905,662)
Finance costs	27	**(1,096,856)**	(1,465,636)
Loss before taxation		**(3,132,252)**	(4,371,298)
Income tax expenses	15	**198,856**	16,400
Loss for the financial year		**(2,933,396)**	(4,354,898)
Attributable to:			
Equity holders of the Company		**(2,695,626)**	(4,412,994)
Minority interests		**(237,770)**	58,096
		(2,933,396)	(4,354,898)
Loss per share attributable to equity holders of the Company (sen)	28		
– basic		**(2.1)**	(3.5)
– diluted		**(2.1)**	(3.5)

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

Consolidated Statement of Changes in Equity
for the financial year ended 31 August 2010

	<-- Attributable to equity holders of the Company			-->		
	Share capital RM	**Non-Distributable Share premium RM**	**Accumulated losses RM**	**Total RM**	**Minority interests RM**	**Total equity RM**
At 01 September 2008	63,252,750	12,494,536	(15,038,278)	60,709,008	2,494,577	63,203,585
Loss for the financial year, representing total recognised income and expense for the financial year	–	–	(4,412,994)	(4,412,994)	58,096	(4,354,898)
At 31 August 2009	63,252,750	12,494,536	(19,451,272)	56,296,014	2,552,673	58,848,687
At 01 September 2009	63,252,750	12,494,536	(19,451,272)	56,296,014	2,552,673	58,848,687
Loss for the financial year, representing total recognised income and expense for the financial year	**–**	**–**	**(2,695,626)**	**(2,695,626)**	**(237,770)**	**(2,933,396)**
At 31 August 2010	**63,252,750**	**12,494,536**	**(22,146,898)**	**53,600,388**	**2,314,903**	**55,915,291**

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

Consolidated Cash Flow Statement

for the financial year ended 31 August 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(3,132,252)**	(4,371,298)
Adjustments for:			
Allowance for doubtful debts		**1,947,159**	678,580
Amortisation of prepaid lease payments		**27,796**	27,796
Bad debts written off		**588,000**	400,131
Depreciation		**2,882,463**	3,163,816
Impairment loss on goodwill		**–**	14,000
Inventories written off		**858,275**	–
Inventories written down		**3,648**	–
Interest expenses		**1,096,856**	1,465,636
Levy fee forfeited		**39,344**	9,040
Loss on disposal of property, plant and equipment		**–**	114,362
Property, plant and equipment written off		**118,112**	17,945
Provision for foreseeable loss		**–**	247,284
Allowance for doubtful debts no longer required		**(76,207)**	(395,455)
Dividend income		**(22,245)**	(44,213)
Fair value adjustment on investment properties		**(20,000)**	(217,016)
Gain on disposal of a subsidiary company		**–**	(87)
Gain on disposal of investment property		**(317,000)**	(90,000)
Gain on disposal of other investments		**(481,598)**	–
Gain on disposal of property, plant and equipment		**(229,759)**	(2,771)
Interest income		**–**	(79,087)
Unrealised foreign exchange loss/(gain)		**36,746**	(35,346)
Operating profit before working capital changes		**3,319,338**	903,317
Decrease in inventories		**1,962,205**	15,712,877
(Increase)/decrease in receivables		**(7,257,942)**	9,701,772
Decrease/(increase) in amount due from customer on contracts		**3,297,754**	(5,194,527)
Decrease in payables		**(4,886,361)**	(1,542,873)
Cash (used in)/generated from operations		**(3,565,006)**	19,580,566
Income tax paid	15(a)	**(28,003)**	(271,732)
Income tax refund	15(a)	**–**	365,125
Interest paid		**(1,096,856)**	(1,465,636)
Net cash (used in)/from operating activities		**(4,689,865)**	18,208,323

Consolidated Cash Flow Statement (continued)
for the financial year ended 31 August 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investment in a subsidiary company		**–**	(14,000)
Cash flow from acquisition of subsidiary company, net of cash acquired	29(c)	**–**	–
Cash flow from disposal of a subsidiary company, net of cash and cash equivalents disposed	30	**–**	(1,913)
Purchase of property, plant and equipment	31(a)	**(1,669,969)**	(2,020,656)
Dividend received		**17,895**	39,863
Proceeds from disposal of investment property		**465,000**	800,000
Proceeds from disposal of property, plant and equipment		**989,951**	1,037,293
Proceeds from disposal of asset held for sale		**1,150,412**	–
Proceeds from disposal of other investments		**2,005,073**	–
Net cash from/(used in) investing activities		**2,958,362**	(159,413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net changes in short term borrowings		**2,231,356**	(15,509,090)
Repayment of term loans		**(695,539)**	(696,437)
Repayment of hire purchase payables		**(449,827)**	(763,836)
Withdrawal of fixed deposits		**2,413,136**	–
Placement of fixed deposits		**–**	(84,024)
Interest received		**–**	87,036
Net cash from/(used in) financing activities		**3,499,126**	(16,966,351)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,767,623**	1,082,559
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**3,802,208**	2,719,649
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31(b)	**5,569,831**	3,802,208

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

Balance Sheet
as at 31 August 2010

	Note	2010 RM	2009 RM
ASSETS			
Non-current asset			
Investment in subsidiary companies	7	**26,756,303**	30,238,699
Current assets			
Receivable	13	**1,000**	1,000
Amounts due by subsidiary companies	14	**21,411,472**	24,671,472
Tax asset	15	**43,298**	43,298
Bank balance		**126,847**	164,141
		21,582,617	24,879,911
TOTAL ASSETS		**48,338,920**	55,118,610
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Share capital	18	**63,252,750**	63,252,750
Reserves	19	**(14,927,004)**	(8,153,503)
TOTAL EQUITY		**48,325,746**	55,099,247
LIABILITIES			
Current liabilities			
Payables	22	**13,174**	19,363
Total liabilities		**13,174**	19,363
TOTAL EQUITY AND LIABILITIES		**48,338,920**	55,118,610

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

Income Statement
for the financial year ended 31 August 2010

	Note	2010 RM	2009 RM
Revenue	23	**–**	250,000
Other income	25	**317,604**	–
Administrative expenses		**(791,005)**	(168,086)
Other expenses		**(6,300,100)**	(5,729,561)
Operating loss	26	**(6,773,501)**	(5,647,647)
Finance costs	27	**–**	–
Loss before taxation		**(6,773,501)**	(5,647,647)
Income tax expense	15	**–**	–
Loss for the financial year		**(6,773,501)**	(5,647,647)
Attributable to:			
Equity holders of the Company		**(6,773,501)**	(5,647,647)

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

Statement of Changes in Equity
for the financial year ended 31 August 2010

	Share capital RM	Non-distributable Share pemium RM	Accumulated losses RM	Total equity RM
At 01 September 2008	63,252,750	12,494,536	(15,000,392)	60,746,894
Loss for the financial year, representing total recognised income and expense for the financial year	–	–	(5,647,647)	(5,647,647)
At 31 August 2009	63,252,750	12,494,536	(20,648,039)	55,099,247
At 01 September 2009	**63,252,750**	**12,494,536**	**(20,648,039)**	**55,099,247**
Loss for the financial year, representing total recognised income and expense for the financial year	**–**	**–**	**(6,773,501)**	**(6,773,501)**
At 31 August 2010	**63,252,750**	**12,494,536**	**(27,421,540)**	**48,325,746**

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

Cash Flow Statement

for the financial year ended 31 August 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(6,773,501)**	(5,647,647)
Adjustments for:			
Allowance for doubtful debts		**2,500,000**	–
Bad debt written off		**500,000**	–
Depreciation		**–**	6,027
Impairment loss on investment in subsidiary companies		**3,800,000**	5,721,547
Dividend income		**–**	(250,000)
Reversal of impairment loss on investment in subsidiary company		**(317,604)**	–
Operating loss before working capital changes		**(291,105)**	(170,073)
Decrease in payables		**(6,189)**	(108,748)
Net cash used in operating activities		**(297,294)**	(278,821)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advance to subsidiary companies		**–**	(65,000)
Dividend received from subsidiary companies		**–**	250,000
Repayment from subsidiary companies		**260,000**	75,580
Net cash from investing activities		**260,000**	260,580
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(37,294)**	(18,241)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**164,141**	182,382
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31(b)	**126,847**	164,141

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

Notes to the Financial Statements
- 31 August 2010

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 Main Market 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, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Batu 8, 84200 Muar, Johor Darul Takzim.

The Board has authorised the issuance of the financial statements on 06 December 2010.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The preparation of financial statements in conformity with FRSs 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.

At the beginning of the current financial year, the Group and the Company have adopted new FRS which is mandatory for the financial year beginning on 01 September 2009. The adoption of this new FRS is disclosed in note 3.1.

Estimates and judgements are evaluated by the management on an on-going basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed in note 4.

The financial statements of the Group and of the Company are prepared under the historical cost convention except for the revaluation of certain freehold land included in property, plant and equipment, and investment properties have been measured at their fair value.

The financial statements are presented in Ringgit Malaysia ('RM').

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Investments in subsidiary companies

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

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

d. Goodwill

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

Goodwill acquired in a business combination is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in income statement 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 statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 land of the Group has 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 statement and the unutilised portion of the revaluation surplus on that item is transferred to retained profit.

f. Depreciation

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

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%
Worker quarter	2%

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

Notes to the Financial Statements (continued) - 31 August 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement.

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

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

h. Construction contracts

Where the outcome of construction contracts 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 surveys of work performed as a percentage of the total contract value.

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 financial 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 (CONTINUED)

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. Leases

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.

m. Income taxes

Income taxes on the profit and loss for the financial year comprise current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Income taxes (continued)

Deferred tax is measured at the tax rates that are expected to apply in the financial 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 income statement for the financial 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 financial period.

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

p. Currency translations

i. 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.

ii. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Currency translations (continued)

ii. Foreign currency transactions (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the financial 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 income statement. 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 income statement for the financial 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 income statement 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 income statement for the financial 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.

q. Employee benefits

i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial period 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 statement in the financial period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

iii. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 investment properties, construction contract assets, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Impairment of non-financial assets (continued)

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 ('VIU'). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in income statement in the financial 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 financial 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 financial years. A reversal of impairment loss for an asset other than goodwill is recognised in income statement, unless the asset is carried at revalued 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 financial year in which the shareholders' rights to receive payment are established.

v. Non-current investments

Non-current investments are measured at cost less allowance for diminution in value. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in income statement.

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x. Contingent liabilities

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

y. Cash flow statements

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

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

3.1 CHANGE IN ACCOUNTING POLICY AND EFFECT ARISING FROM ADOPTION OF NEW FRS

On 01 September 2009, the Group and the Company adopted FRS 8: Operating Segments which does not have any significant impact of the financial statements of the Group and the Company upon its initial application.

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

a. FRSs, amendments to FRSs and IC Interpretations that are not yet effective and have not been early adopted by the Group and the Company:

	For financial period beginning on or after
FRS 3: Business Combinations (revised)	01 July 2010
FRS 7: Financial Instruments: Disclosures	01 January 2010
FRS 101: Presentation of Financial Statements (as revised in 2009)	01 January 2010
FRS 123: Borrowing Costs	01 January 2010
FRS 124: Related Party Disclosures	01 January 2012
FRS 127: Consolidated and Separate Financial Statements (amended)	01 July 2010
FRS 139: Financial Instruments: Recognition and Measurement	01 January 2010
Amendments to FRS 7 Improving Disclosure about Financial Instruments	01 January 2011
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosure and IC Interpretation 9 Reassessment of Embedded Derivatives	01 January 2010
IC Interpretation 4: Determining Whether an Arrangement contains a Lease	01 January 2011
IC Interpretation 10: Interim Financial Reporting and Impairment	01 January 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	01 July 2010

The adoptions of abovementioned FRSs, amendments to FRSs and IC Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except possibly for FRS 139 and FRS 7 which are exempted from disclosure and change in disclosure arising from adoption of FRS 101.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

b. Improvements to FRSs (2009) and (2010) that are not yet effective and have not been early adopted by the Group and the Company:

	For financial period beginning on or after
Amendment to FRS 3 Business Combinations	01 January 2011
Amendment to FRS 5 Non-Current Assets Held for Sale and Discontinued Operations	01 January 2010/ 01 July 2010
Amendment to FRS 7 Financial Instruments: Disclosures	01 January 2010/ 01 January 2011
Amendment to FRS 8 Operating Segments	01 January 2010
Amendment to FRS 101 Presentation of Financial Statements	01 January 2011
Amendment to FRS 107 Statement of Cash Flows	01 January 2010
Amendment to FRS 108 Accounting Policies Changes in Accounting Estimate and Errors	01 January 2010
Amendment to FRS 110 Events after the Reporting Period	01 January 2010
Amendment to FRS 116 Property, Plant and Equipment	01 January 2010
Amendment to FRS 117 Leases	01 January 2010
Amendment to FRS 118 Revenue	01 January 2010
Amendment to FRS 119 Employee Benefits	01 January 2010
Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates	01 January 2011
Amendment to FRS 123 Borrowing Costs	01 January 2010
Amendment to FRS 127 Consolidated and Separate Financial Statements	01 January 2010
Amendment to FRS 132 Financial Instruments: Presentation	01 January 2010/ 01 January 2011
Amendment to FRS 132 Financial Instruments: Presentation – Classification of Right Issues	01 March 2010
Amendment to FRS 134 Interim Financial Reporting	01 January 2010/ 01 January 2011
Amendment to FRS 136 Impairment of Assets	01 January 2010
Amendment to FRS 139 Financial Instruments: Recognition and Measurement	01 January 2011
Amendment to FRS 140 Investment Properties	01 January 2010

The adoption of abovementioned amendments to FRSs is expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except the prepaid lease payment will be reclassified as finance leases and disclosed as part of the Group's property, plant and equipment due to adoption of the amendment to FRS 117.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

c. FRSs, Amendments to FRSs and IC Interpretation that are not yet effective and not relevant to the Group and the Company:

	For financial period beginning on or after
FRS 1: First-time Adoption of Financial Reporting Standards	01 July 2010
FRS 4: Insurance Contracts	01 January 2010
Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates	01 January 2010
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	01 January 2011
Amendments to FRS 1 Additional Exemptions for First-time Adopters	01 January 2011
Amendments to FRS 2 Share-based Payment Vesting Conditions and Cancellations	01 January 2010
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions	01 January 2011
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	01 July 2011
IC Interpretation 9: Reassessment of Embedded Derivatives	01 January 2010
IC Interpretation 11: FRS 2 Group and Treasury Share Transactions	01 January 2010
IC Interpretation 12: Service Concession Arrangements	01 July 2010
IC Interpretation 13: Customer Loyalty Programmes	01 January 2010
IC Interpretation 14: FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	01 January 2010
IC Interpretation 15: Agreements for the Construction of Real Estate	01 January 2012
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	01 July 2010
IC Interpretation 18: Transfer of Assets from Customers	01 January 2011
IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	01 July 2011

d. Improvements to FRSs (2009) and (2010) that are not yet effective and not relevant to the Group and the Company:

	For financial period beginning on or after
Amendment to FRS 1 First-time Adoption of International Financial Reporting Standards	01 January 2011
Amendment to FRS 2 Share-based Payment	01 July 2010
Amendment to FRS 120 Accounting or Government Grants and Disclosure of Government Assistance	01 January 2010
Amendment to FRS 128 Investments in Associates	01 January 2010/ 01 January 2011
Amendment to FRS 129 Financial Reporting in Hyperinflationary Economies	01 January 2010
Amendment to FRS 131 Interests in Joint Ventures	01 January 2010/ 01 January 2011
Amendment to FRS 138 Intangible Assets	01 January 2010/ 01 July 2010
Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives	01 July 2010
Amendment to IC Interpretation 13 Customer Loyalty Programmes	01 January 2011

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:

i. Provision for liquidated ascertained damages ('LAD')

As disclosed in note 35(b), there is no provision for LAD in respect of construction contract undertaken by a subsidiary company in accordance with the terms of agreement. Significant judgement is required in determining the amount of provision for LAD to be made. Due to the additional variation orders to the contract, the time frame to complete the project has changed. The directors are of the opinion that no provision for LAD is required as the amount of LAD, if any, can not be estimated reliably and would not have a material financial impact to the Group.

ii. Provision for warranty

The subsidiary company, as mentioned in note 4(a)(i) above, has provided two-year warranty under the construction contract for defective workmanship. Based on past experience of the management, there is limited repairs and claims from customer and under the terms of the agreement, the subsidiary company is not liable for any severity cracks, shrinkage or other faults due to the defective foundation works or site. Thus, the directors are of the opinion that no provision for warranty is required.

iii. Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. Properties that are occupied by the Group are accounted for as owner-occupied rather than as investment property.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portion could be sold separately (or leased out separately under a finance lease), the Group would account for the portion separately. If the portion could not be sold separately, the property is an investment only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

During the financial year, the Group has temporarily sub-let freehold land and building with carrying amount of RM2,903,590 but has decided not to treat this property as an investment property because it is not the Group's intention to hold this property in the long term for capital appreciation or rental income. Accordingly, this property is still classified as property, plant and equipment.

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:

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 lives.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

b. Key sources of estimation uncertainty (continued)

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 financial 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 2010 was RM26,205,086 (2009 – RM24,784,241).

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 realisable 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 2010 was RM19,528,188 (2009 – RM22,352,316).

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.

v. Construction contracts

The Group recognises contract revenues and expenses in the income statement using the stage of completion method. The stage of completion is determined by surveys of work performed where the financial outcome of a development activity can be reliably estimated.

Significant judgment is required in determining the stage of completion, the extent of the contract cost, the estimated contract revenue and costs as well as the recoverability of the construction projects. In making of the judgment, the Group evaluates based on management past experiences and relying on the work of specialist.

A 10% difference in the estimated total contract revenue or costs would result in approximately 1% variance in the Group's revenue and 1% variance in the Group's cost of sales.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

b. Key sources of estimation uncertainty (continued)

vi. Deferred tax assets

Deferred tax assets are recognised for unused tax losses and reinvestment allowances of a subsidiary company amounting to RM224,438, as disclosed in note 11, to the extent that it is probable that taxable profit will be available against which the tax losses and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

vii. Impairment of investment in subsidiary companies

The Group determines whether there is any indication of impairment to the cost of investment in subsidiary companies annually. This requires an estimation of the VIU of the CGU to which cost of investment in subsidiary companies is allocated. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of that cash flow. Further details are disclosed in note 7.

viii. Fair value estimates for certain financial assets and liabilities

The Group carries certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and equity.

5. PROPERTY, PLANT AND EQUIPMENT

Group	**Land and buildings* RM**	**Plant, machinery and equipment RM**	**Motor vehicles RM**	**Other assets# RM**	**Total RM**
At 31 August 2010					
Cost/valuation					
At 01 September 2009	38,236,229	18,213,283	8,230,876	4,851,861	69,532,249
Additions	119,400	966,446	785,626	256,497	2,127,969
Disposals	–	(5,201,113)	(898,552)	(23,135)	(6,122,800)
Write-offs	–	(462,988)	(31,100)	(7,695)	(501,783)
At 31 August 2010	38,355,629	13,515,628	8,086,850	5,077,528	65,035,635
Accumulated depreciation and impairment loss					
At 01 September 2009	4,354,987	11,378,282	6,774,216	2,151,409	24,658,894
Depreciation charge for the financial year	677,735	1,115,528	764,090	325,110	2,882,463
Disposals	–	(4,460,893)	(885,230)	(16,485)	(5,362,608)
Write-offs	–	(346,773)	(31,100)	(5,798)	(383,671)
At 31 August 2010	5,032,722	7,686,144	6,621,976	2,454,236	21,795,078
Net carrying amount					
At cost	32,251,302	5,829,484	1,464,874	2,623,292	42,168,952
At valuation	1,071,605	–	–	–	1,071,605
At 31 August 2010	33,322,907	5,829,484	1,464,874	2,623,292	43,240,557

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land and buildings* RM	Plant, machinery and equipment RM	Motor vehicles RM	Other assets# RM	Total RM
At 31 August 2009						
Cost/valuation						
At 01 September 2008		37,365,940	16,895,649	8,214,476	4,621,178	67,097,243
Additions		3,153,113	1,437,964	26,000	232,403	4,849,480
Disposals		(1,132,412)	(93,948)	(8,000)	–	(1,234,360)
Write-offs		–	(26,382)	(1,600)	(1,720)	(29,702)
Reclassification	17	(1,150,412)	–	–	–	(1,150,412)
At 31 August 2009		38,236,229	18,213,283	8,230,876	4,851,861	69,532,249
Accumulated depreciation and impairment loss						
At 01 September 2008		3,654,695	10,269,402	5,850,651	1,817,563	21,592,311
Depreciation charge for the financial year		700,292	1,199,735	929,298	334,491	3,163,816
Disposals		–	(81,343)	(4,133)	–	(85,476)
Write-offs		–	(9,512)	(1,600)	(645)	(11,757)
At 31 August 2009		4,354,987	11,378,282	6,774,216	2,151,409	24,658,894
Net carrying amount						
At cost		32,809,637	6,835,001	1,456,660	2,700,452	43,801,750
At valuation		1,071,605	–	–	–	1,071,605
At 31 August 2009		33,881,242	6,835,001	1,456,660	2,700,452	44,873,355

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

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*Land and buildings	Freehold land RM	Long leasehold buildings RM	Freehold buildings RM	Electrical installation RM	Renovation RM	Worker quarter RM	Total RM
At 31 August 2010							
Cost/valuation							
At 01 September 2009	**8,879,023**	**10,606,747**	**17,132,929**	**770,681**	**568,438**	**278,411**	**38,236,229**
Additions	**–**	**–**	**119,400**	**–**	**–**	**–**	**119,400**
Reclassification	**874,179**	**–**	**(874,179)**	**–**	**–**	**–**	**–**
At 31 August 2010	**9,753,202**	**10,606,747**	**16,378,150**	**770,681**	**568,438**	**278,411**	**38,355,629**
Accumulated depreciation and impairment loss							
At 01 September 2009	**15,250**	**1,501,127**	**1,855,266**	**497,721**	**483,470**	**2,153**	**4,354,987**
Depreciation charge for the financial year	**–**	**212,135**	**350,073**	**74,638**	**35,321**	**5,568**	**677,735**
At 31 August 2010	**15,250**	**1,713,262**	**2,205,339**	**572,359**	**518,791**	**7,721**	**5,032,722**
Net carrying amount							
At cost	**8,666,347**	**8,893,485**	**14,172,811**	**198,322**	**49,647**	**270,690**	**32,251,302**
At valuation	**1,071,605**	**–**	**–**	**–**	**–**	**–**	**1,071,605**
At 31 August 2010	**9,737,952**	**8,893,485**	**14,172,811**	**198,322**	**49,647**	**270,690**	**33,322,907**
At 31 August 2009							
Cost/valuation							
At 01 September 2008	8,879,023	10,606,747	16,581,051	770,681	528,438	–	37,365,940
Additions	2,282,824	–	551,878	–	40,000	278,411	3,153,113
Disposal	(1,132,412)	–	–	–	–	–	(1,132,412)
Reclassification	(1,150,412)	–	–	–	–	–	(1,150,412)
At 31 August 2009	8,879,023	10,606,747	17,132,929	770,681	568,438	278,411	38,236,229
Accumulated depreciation and impairment loss							
At 01 September 2008	15,250	1,288,991	1,519,576	408,366	422,512	–	3,654,695
Depreciation charge for the financial year	–	212,136	335,690	89,355	60,958	2,153	700,292
At 31 August 2009	15,250	1,501,127	1,855,266	497,721	483,470	2,153	4,354,987
Net carrying amount							
At cost	7,792,168	9,105,620	15,277,663	272,960	84,968	276,258	32,809,637
At valuation	1,071,605	–	–	–	–	–	1,071,605
At 31 August 2009	8,863,773	9,105,620	15,277,663	272,960	84,968	276,258	33,881,242

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	2010 RM	2009 RM
Included in the net carrying amounts of property, plant and equipment are:		
a. Property, plant and equipment acquired by mean of hire purchase plans:		
Motor vehicles	**881,331**	1,012,707
Plant, machinery and equipment	**–**	454,775
	881,331	1,467,482
b. Property, plant and equipment pledged for banking facilities granted to subsidiary companies as disclosed in note 20(b)(i):		
Freehold buildings	**12,204,381**	13,426,571
Freehold land	**5,628,365**	4,698,986
Long leasehold buildings	**8,893,485**	9,035,620
	26,726,231	27,161,177
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 2010 RM	2009 RM
At cost		
At beginning and end of the financial year	**10,797**	10,797
Accumulated depreciation		
At 01 September	**10,797**	4,770
Depreciation charge for the financial year	**–**	6,027
At 31 August	**10,797**	10,797
Net carrying amount		
At 31 August	**–**	–

6. PREPAID LEASE PAYMENTS

	Leasehold land Unexpired period more than 50 years Group	
	2010	**2009**
	RM	**RM**
At cost		
At beginning and end of the financial year	**2,490,005**	2,490,005
Accumulated amortisation		
At 01 September	**167,556**	139,760
Amortisation for the financial year	**27,796**	27,796
At 31 August	**195,352**	167,556
Net carrying amount		
At 31 August	**2,294,653**	2,322,449

Leasehold land is pledged for banking facilities as disclosed in note 20(b)(i).

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2010	**2009**
	RM	**RM**
At cost		
Unquoted shares		
At beginning and end of the financial year	**40,637,105**	40,637,105
Less:		
Accumulated impairment losses		
At 01 September	**10,398,406**	4,676,859
Additions	**3,800,000**	5,721,547
Reversal	**(317,604)**	–
At 31 August	**13,880,802**	10,398,406
Net carrying amount		
At 31 August	**26,756,303**	30,238,699

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

Name	Gross equity interest 2010 (%)	2009 (%)	Principal activities
Syarikat U.D. Trading Sdn. Bhd. ('UDT')	**100.00**	100.00	Dealing of furniture, plywood, hardware, parts, equipment and construction materials
U.D. Industries Sdn. Bhd.	**99.42**	99.42	Staples, nails and polyethylene foam manufacturing Ceased manufacturing subsequent to financial year and commenced business as trading of polyethylene foam
U.D. Panelform Sdn. Bhd. ('UDP')	**100.00**	100.00	Furniture manufacturing and lamination
Sin Wee Seng Industries Sdn. Bhd. ('SWS')*	**100.00**	100.00	Settee and sofa manufacturing
Poh Keong Industries Sdn. Bhd. ('PKI')	**51.00**	51.00	Furniture and parts manufacturing
Subsidiary companies of UDP			
U.D. Wood Products Sdn. Bhd.	**100.00**	100.00	Veneered woods manufacturing
Subsidiary companies of SWS			
Starlight Industry Sdn. Bhd.*	**100.00**	100.00	Property investment
Oriena Industry Sdn. Bhd.*	**100.00**	100.00	Property investment
SWS Homes (M) Sdn. Bhd. ('SWS Home')*	**100.00**	–	Property investment (Acquired during the financial year)
Subsidiary company of UDT			
Syarikat U.D. Trading Corporation Sdn. Bhd. ('UDTC') @	**65.00**	65.00	Log houses manufacturing and construction

* Not audited by John Lim & Associates

@ The auditors have modified their report which included an emphasis of matter highlighting the going concern of the subsidiary company concerned that dependent upon support from the holding company and/or other sources.

b. Impairment of investment in subsidiary companies

During the financial year, the Company carried out an impairment assessment on the carrying values of its investment in subsidiary companies due to losses incurred by certain subsidiary companies and/or gross loss positions of certain subsidiary companies. As a result of the review, additional impairment loss of RM3,800,000 (2009 – RM5,721,547) and reversal of impairment loss of RM317,604 (2009 – Nil) are recognised in the financial statements.

The recoverable amounts of the respective CGUs are determined based on VIU calculations, using pre-tax cash flow projections approved by management based on past performance and expectations of market development.

Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. The estimated discount rate is 4.46% (2009 – 4.7%).

7. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

b. Impairment of investment in subsidiary companies (continued)

The growth rates are based on past experience and industry growth forecasts. Management expects revenue to grow at a growth rate of 5%. Changes in selling price and direct costs are based on past practices, adjusted for future internal restructuring, expected internal resource efficiency improvements and expectation of future changes in market.

If the management's estimated gross margin had been lower by 10%, the cost of investment in subsidiary companies would be further impaired by approximately RM2,200,000 (2009 – RM7,837,000). If the management's estimated pre-tax discount rate applied to the discounted cash flows had been raised by 1%, the cost of investment in subsidiary companies would be further impaired by approximately RM220,000 (2009 – RM1,262,000).

8. INTANGIBLE ASSET

	Group	
	2010 RM	**2009 RM**
Goodwill		
At cost		
At 01 September	**14,000**	–
Arising from additional investment in a subsidiary company	**–**	14,000
At 31 August	**14,000**	14,000
Accumulated impairment loss		
At 01 September	**14,000**	–
Impairment loss charged to income statement	**–**	14,000
At 31 August	**–**	14,000
Net carrying amount		
At 31 August	**–**	–

During the financial year 2009, the Group recognised an impairment loss of RM14,000 in respect of the goodwill arising from the additional investment in subsidiary company, UDTC. The Group carried out an impairment assessment on the carrying values of goodwill which had indication of impairment based on VIU calculations using pre-tax cash flow projections and discount rates that reflect the specific risks relating to the cash generating units. Accordingly, an impairment loss was recognised on the carrying values of goodwill which was not supported by the VIU calculations.

9. INVESTMENT PROPERTIES

	Group 2010 RM	Group 2009 RM
At fair value		
At 01 September	**3,437,000**	3,929,984
Fair value adjustments	**20,000**	217,016
Disposals	**(148,000)**	(710,000)
	(128,000)	(492,984)
At 31 August	**3,309,000**	3,437,000

	Group 2010 RM	Group 2009 RM
At fair value		
– Freehold land	**1,177,000**	1,325,000
– Freehold shophouse	**450,000**	430,000
– Freehold condominium	**140,000**	140,000
– Long leasehold land and buildings	**1,542,000**	1,542,000
	3,309,000	3,437,000

a. Investment properties with carrying amount of RM2,197,000 (2009 – RM3,265,000) are pledged for banking facilities granted to subsidiary companies as disclosed in note 20(b)(i).

b. Long leasehold land with carrying amount of RM227,000 (2009 – RM227,000) is yet to be transferred into the name of a subsidiary company.

c. The strata title of the freehold condominium with a carrying value of RM140,000 (2009 – RM140,000) is yet to be issued by the relevant authorities.

d. A subsidiary company has entered into agreement on 16 April 2007 with a third party to develop part of the subsidiary company's freehold land with the construction of three units of buildings. During the financial year, the development has been completed and the subsidiary company has disposed its share of freehold land and building for a sale consideration of RM465,000 as disclosed in note 39(c).

e. The fair value of the investment properties of the Group at 31 August 2010 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.

f. The aggregate rental income and direct operating expenses arising from investment properties that generate rental income during the financial year are RM101,700 (2009 – RM127,100) and RM13,977 (2009 – RM14,237) respectively.

g. The aggregate direct operating expenses arising from investment properties that do not generate rental income during the financial year are RM951 (2009 – RM960).

10. OTHER INVESTMENTS

	Group		Company	
	2010 **RM**	**2009** **RM**	**2010** **RM**	**2009** **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:				
Disposals	**(1,803,293)**	–	**–**	–
	420,000	2,223,293	**420,000**	420,000
Less:				
Accumulated impairment loss				
– At 01 September	**699,818**	699,818	**420,000**	420,000
– Disposals	**(279,818)**	–	**–**	–
– At 31 August	**420,000**	699,818	**420,000**	420,000
Net carrying amount	**–**	1,523,475	**–**	–
Market value of quoted shares				
– in Malaysia	**–**	250,125	**–**	–
– outside Malaysia	**–**	1,321,200	**–**	–
	–	1,571,325	**–**	–

11. DEFERRED TAXATION

a. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2010 RM	**2009 RM**
At 01 September	**(108,618)**	(112,351)
(Charged)/credited to income statement (note 15(b)):		
– investment properties	**(4,950)**	(13,900)
– property, plant and equipment	**39,150**	108,860
– reinvestment allowances	**904,430**	–
– unused capital allowances	**(675,549)**	(110,772)
– unused tax losses	**(38,643)**	19,545
	224,438	3,733
At 31 August	**115,820**	(108,618)

Presented after appropriate offsetting as follows:

	Group	
	2010 RM	**2009 RM**
Deferred tax assets	**224,438**	–
Deferred tax liabilities	**(108,618)**	(108,618)
	115,820	(108,618)

11. DEFERRED TAXATION (CONTINUED)

b. The components and movements of deferred tax assets and liabilities of the Group prior to offsetting are as follows:

Group	Reinvestment allowances RM	Unused tax losses RM	Unused capital allowances RM	Deferred tax assets (before offsetting) RM	Offsetting RM	Deferred tax assets (after offsetting) RM
At 01 September 2008	–	269,328	2,029,198	2,298,526	(2,298,526)	–
Recognised in income statement	–	19,545	(110,772)	(91,227)	91,227	–
At 31 August 2009	–	288,873	1,918,426	2,207,299	(2,207,299)	–
Recognised in income statement	904,430	(38,643)	(675,549)	190,238	34,200	224,438
At 31 August 2010	904,430	250,230	1,242,877	2,397,537	(2,173,099)	224,438

Group	Investment properties RM	Property plant and equipment RM	Deferred tax liabilities (before offsetting) RM	Offsetting RM	Deferred tax liabilities (after offsetting) RM
At 01 September 2008	(92,300)	(2,318,577)	(2,410,877)	2,298,526	(112,351)
Recognised in income statement	(13,900)	108,860	94,960	(91,227)	3,733
At 31 August 2009	(106,200)	(2,209,717)	(2,315,917)	2,207,299	(108,618)
Recognised in income statement	(4,950)	39,150	34,200	(34,200)	–
At 31 August 2010	(111,150)	(2,170,567)	(2,281,717)	2,173,099	(108,618)

	Group 2010 RM	Group 2009 RM
c. The deferred tax assets are expected to be reversed as follows:		
Within one year	**224,438**	–

The directors are of the opinion that the subsidiary company is able to produce sufficient taxable profit to realise the deferred tax asset based on the profit projections of the operations of the subsidiary company.

11. DEFERRED TAXATION (CONTINUED)

d. 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 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.

	Group	
	2010	**2009**
	RM	**RM**
Deferred tax assets		
Allowance for doubtful debts	**400,527**	335,495
Reinvestment allowances	**572,997**	1,544,709
Export allowances	**760,489**	681,226
Unused capital allowances	**426,251**	329,911
Unused tax losses	**4,494,974**	3,862,094
	6,655,238	6,753,435

12. INVENTORIES

	Group	
	2010	**2009**
	RM	**RM**
At cost:		
Raw materials	**11,704,878**	10,266,622
Work-in-progress	**2,151,033**	3,571,459
Finished goods	**5,666,517**	8,514,235
	19,522,428	22,352,316
At net realisable value:		
Raw materials	**5,760**	–
	19,528,188	22,352,316

The Group has written off and written down its inventories by RM858,275 (2009 – Nil) and RM3,648 (2009 – Nil) respectively.

13. RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables	**19,037,068**	17,023,651	**–**	–
Less:				
Allowance for doubtful debts				
– At 01 September	**1,402,498**	776,605		
– Additions	**349,999**	678,580	**–**	–
– No longer required	**(76,207)**	(52,687)	**–**	–
– At 31 August	**1,676,290**	1,402,498	**–**	–
	17,360,778	15,621,153	**–**	–
Amounts due by customers on contracts				
Aggregate costs to date	**15,330,735**	13,893,242	**–**	–
Less:				
Attributable losses	**(825,509)**	(448,447)	**–**	–
Foreseeable loss	**–**	(247,284)	**–**	–
	14,505,226	13,197,511	**–**	–
Less:				
Progress billing				
At 01 September	**(8,371,956)**	–	**–**	–
Transfer from amount due to customers on contract (note 22)	**–**	(368,972)	**–**	–
Additions	**(4,605,469)**	(8,002,984)	**–**	–
At 31 August	**(12,977,425)**	(8,371,956)	**–**	–
Amount due by customers contracts	**1,527,801**	4,825,555	**–**	–
Other receivables, deposits and prepayments	**8,913,667**	4,337,533	**1,000**	1,000
Less:				
Allowance for doubtful debts				
– At 01 September	**–**	342,768	**–**	–
– Additions	**1,597,160**	–	**–**	–
– No longer required	**–**	(342,768)		
– At 31 August	**1,597,160**	–	**–**	–
	7,316,507	4,337,533	**1,000**	1,000
Total	**26,205,086**	24,784,241	**1,000**	1,000

13. RECEIVABLES (CONTINUED)

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

b. Included in trade receivables of the Group is a retention sum on contracts of RM725,261 (2009 – Nil).

c. Included in other receivables, deposits and prepayments of the Group are:

i. advances to suppliers by a subsidiary company, SWS, for the supply of raw materials amounting to RM2,305,825 (2009 – RM384,999).

ii. deposit of RM1,600,000 (2009 – Nil) paid by a subsidiary company, SWS Home, for the purchase of property. The commitment to acquire the property is disclosed in note 34.

iii. advance payment made to a contractor for the construction of a factory by a subsidiary company, PKI, amounting to Nil (2009 – RM1,597,160), net of allowance for doubtful debt.

iv. advance to a sub-contractor by a subsidiary company, SWS, amounting to RM1,711,763 (2009 – Nil).

v. advance to a supplier for the supply of rubberwood by a subsidiary company, UDT amounting to Nil (2009 – RM592,830).

d. The foreign currency exposures of receivables are as follows:

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
United States Dollar	**5,731,911**	2,378,647	**–**	–
Ringgit Malaysia	**20,473,175**	22,405,594	**1,000**	1,000
	26,205,086	24,784,241	**1,000**	1,000

e. The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2010 RM	**2009 RM**
Hiring of machinery	**39,160**	–
Levy fee forfeited	**–**	103
Rental of hostel	**12,800**	7,376
Rental of factory	**128,000**	98,648

14. AMOUNTS DUE BY SUBSIDIARY COMPANIES

	Company 2010 RM	Company 2009 RM
Amounts due by subsidiary companies	**23,911,472**	24,671,472
Less:		
Allowance for doubtful debt		
At 01 September	**–**	–
Addition	**2,500,000**	–
At 31 August	**2,500,000**	–
At end of the financial year	**21,411,472**	24,671,472

The amounts due by subsidiary companies are non-trade in nature, unsecured, repayable on demand and to be settled in cash.

15. TAXATION

a. Movement in the taxation statements are:

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
At 01 September	**(986,554)**	(1,062,930)	**(43,298)**	(43,298)
Taxation charge for the financial year	**25,582**	29,695	**–**	–
Overprovision in prior financial year	**–**	(42,362)	**–**	–
Income tax paid	**(28,003)**	(271,732)	**–**	–
Income tax refund	**–**	365,125	**–**	–
Tax deducted at source	**(4,350)**	(4,350)	**–**	–
At 31 August	**(993,325)**	(986,554)	**(43,298)**	(43,298)
Disclosed as:				
Tax assets	**(1,005,325)**	(1,003,657)	**(43,298)**	(43,298)
Tax liabilities	**12,000**	17,103	**–**	–
	(993,325)	(986,554)	**(43,298)**	(43,298)

15. TAXATION (CONTINUED)

b. The income tax expenses comprise:

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Taxation charge for the financial year	**25,582**	29,695	**–**	–
Overprovision in prior financial year	**–**	(42,362)	**–**	–
Transfer from deferred taxation (note 11(a))				
– current financial year provision	**(224,438)**	27,777	**–**	–
– overprovision in prior financial year	**–**	305	**–**	–
– effect on opening deferred tax resulting from the change in income tax rate	**–**	(31,815)	**–**	–
	(224,438)	(3,733)	**–**	–
Income tax expenses for the financial year	**(198,856)**	(16,400)	**–**	–

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Loss before taxation	**(3,132,252)**	(4,371,298)	**(6,773,501)**	(5,647,647)
Taxation at statutory tax rate of 25%	**(783,063)**	(1,092,825)	**(1,693,375)**	(1,411,912)
Tax effect of:				
– opening deferred tax resulting from a reduction in income tax rate	**–**	(31,815)	**–**	–
– income tax not subject to tax	**(170,827)**	(88,401)	**(79,401)**	(62,500)
– double deduction expenses	**(91,830)**	(347,404)	**–**	–
– non-allowable expenses	**945,061**	579,978	**1,772,776**	1,474,412
Deferred tax assets not recognised by certain subsidiary companies	**973,148**	1,218,613	**–**	–
Utilisation of previously unrecognised deferred tax asset by certain subsidiary companies	**(1,071,345)**	(212,538)	**–**	–
Others	**–**	49	**–**	–
	(198,856)	25,657	**–**	–
(Over)/underprovision in prior financial year				
– income tax	**–**	(42,362)	**–**	–
– deferred tax	**–**	305	**–**	–
Income tax expenses for the financial year	**(198,856)**	(16,400)	**–**	–

15. TAXATION (CONTINUED)

d. The tax saving arising from the utilisation of previously unused capital allowances and tax losses amounted to approximately RM173,000 (2009 – RM430,900).

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Export allowances	**3,041,957**	2,724,903	**–**	–
Reinvestment allowances	**3,228,581**	4,072,772	**–**	–
Unused capital allowances	**5,071,903**	4,777,699	**–**	–
Unused tax losses	**18,997,556**	16,603,863	**–**	–
	30,339,997	28,179,237	**–**	–

16. 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 20(b)(ii). Fixed deposits amounting to RM409,000 (2009 – RM1,100,517) are held in trust and in the name of a director.

The above fixed deposits have maturity of 365 (2009 – 365 to 455) days.

Other information on financial risks of fixed deposits is disclosed in note 37(c).

17. NON-CURRENT ASSET HELD FOR SALE

	Note	**2010 RM**	**2009 RM**
At 01 September		**1,150,412**	–
Transfer from property, plant and equipment	5	**–**	1,150,412
Disposal		**(1,150,412)**	–
At 31 August		–	1,150,412

The non-current asset held for sale was related to the property at HS (D) 33693, Lot PTD 10643, Mukim Jalan Bakri, District of Muar, State of Johor of which a subsidiary company had entered into a Sale and Purchase Agreement, as disclosed in note 39(a), to dispose for sale consideration of approximately RM1,150,000 with no material gain or loss arising.

18. SHARE CAPITAL

	Group and Company			
	2010 No. of shares	**2009 No. of shares**	**2010 RM**	**2009 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

a. EMPLOYEES' SHARE OPTION SCHEME ('ESOS')

The Group's ESOS 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 ESOS expired on 12 September 2009.

The salient features of the ESOS are summarised as follows:

i. 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.

ii. 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:

   a. is at least eighteen (18) years of age or above;

   b. 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

   c. 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".

iii. 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:

   a. 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

18. SHARE CAPITAL (CONTINUED)

a. EMPLOYEES' SHARE OPTION SCHEME ('ESOS') (continued)

The salient features of the ESOS are summarised as follows: (continued)

iii. 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: (continued)

b. 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.*

iv. 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).

v. 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.

18. SHARE CAPITAL (CONTINUED)

a. EMPLOYEES' SHARE OPTION SCHEME ('ESOS') (continued)

The salient features of the ESOS are summarised as follows: (continued)

vi. 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.

vii. 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.

viii. The grantees have no right to participate, by virtue of this option, in any shares of the company within the Group.

The summary of the movements of ESOS are as follows:

			<------- Number of unissued ordinary shares under ESOS ------->			
Date granted	**Expiry date**	**Exercise price per share RM**	**01 September 2009**	**Exercised**	**Expired on 12 September 2009**	**31 August 2010**
13.09.2004	12.09.2009	0.58	4,981,971	–	(4,981,971)	–

Exercisable at the end of the financial year	–

b. WARRANTS

The Company had issued 21,084,250 warrants which were listed on Bursa Securities 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:

i. 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.

ii. 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.

18. SHARE CAPITAL (CONTINUED)

b. WARRANTS (continued)

iii. 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 RM**	**01 September 2009**	**Bought/ Sold/ Exercised**	**31 August 2010**
02.12.2005	0.80	21,084,250	–	21,084,250

19. RESERVES

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Non-distributable reserve:				
Share premium	**12,494,536**	12,494,536	**12,494,536**	12,494,536
Accumulated losses	**(22,146,898)**	(19,451,272)	**(27,421,540)**	(20,648,039)
	(9,652,362)	(6,956,736)	**(14,927,004)**	(8,153,503)

20. BORROWINGS

	Group	
	2010 RM	**2009 RM**
Current portion:		
Secured		
Bank overdrafts	**1,665,904**	1,466,976
Bankers' acceptances	**26,603,356**	25,796,000
Term loans	**704,634**	703,051
Hire purchase payables (note 21)	**335,374**	382,203
	29,309,268	28,348,230
Unsecured		
Bank overdrafts	**491,873**	481,083
Bankers' acceptances	**1,822,000**	398,000
	2,313,873	879,083
Total current portion	**31,623,141**	29,227,313

20. BORROWINGS (CONTINUED)

	Group 2010 RM	Group 2009 RM
Non-current portion:		
Secured		
Term loans	**2,145,594**	2,842,716
Hire purchase payables (note 21)	**360,458**	305,456
Total non-current portion	**2,506,052**	3,148,172
Total borrowings	**34,129,193**	32,375,485

a. The non-current portion of the term loans are repayable over the following periods:

	Group 2010 RM	Group 2009 RM
Between one to two years	**501,623**	960,831
Between two to five years	**1,456,119**	1,617,449
After five years	**187,852**	264,436
	2,145,594	2,842,716

b. The bank borrowings of the Group are secured by:

   i. Debenture incorporating legal charges over the properties of the certain subsidiary companies as disclosed in note 5(b), 6 and 9(a), and floating charges over all the present and future assets of the certain subsidiary companies; and

   ii. Fixed deposits as disclosed in note 16.

c. Other information on financial risks of borrowings is disclosed in note 37(c).

d. The term loans are repayable as follows:

Loan account	**No. of installments**	**Monthly repayment**
Term loan 1	96	RM23,960 commenced August 2007
Term loan 2	120	RM16,667 commenced February 2007

21. HIRE PURCHASE PAYABLES

	Group 2010 RM	2009 RM
Due within one year	**366,411**	408,309
Less:		
Future finance charges	**(31,037)**	(26,106)
	335,374	382,203
Due after one year	**378,020**	317,402
Less:		
Future finance charges	**(17,562)**	(11,946)
	360,458	305,456
Future minimum lease payments:		
Not later than one year	**366,411**	408,309
Later than one year and not later than two years	**268,856**	225,561
Later than two years and not later than five years	**109,164**	91,841
Total future minimum lease payments	**744,431**	725,711
Less:		
Future finance charges	**(48,599)**	(38,052)
Present value of finance lease liabilities	**695,832**	687,659
Analysis of present value of finance lease liabilities:		
Not later than one year	**335,374**	382,203
Later than one year and not later than two years	**253,620**	216,172
Later than two years and not later than five years	**106,838**	89,284
	695,832	687,659
Less:		
Amount due within twelve months (note 20)	**(335,374)**	(382,203)
Amount due after twelve months (note 20)	**360,458**	305,456

Other information on financial risks of hire purchase payables is disclosed in note 37(c).

22. PAYABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Trade payables	**9,899,716**	13,859,414	**–**	–
Amount due to customers on contracts				
Less:				
Progress billings				
At 01 September	**–**	368,972	**–**	–
Transfer to amount due by customers on contracts (note 13)	**–**	(368,972)	**–**	–
At 31 August	**–**	–	**–**	–
Amounts due to customers on contracts	**–**	–	**–**	–
Other payables				
Sundry payables	**3,060,868**	4,231,283	**1,174**	9,363
Payroll liabilities	**464,636**	255,695	**–**	–
Deposits received and accruals	**353,533**	323,023	**12,000**	10,000
	3,879,037	4,810,001	**13,174**	19,363
	13,778,753	18,669,415	**13,174**	19,363

Group

a. The normal credit terms of payables range from 14 to 120 days. Other credit terms are negotiated on case-by-case basis.

b. Included in sundry payables is an amount of RM2,631 (2009 - RM2,616) due to a firm in which a director of a subsidiary company is the sole proprietor.

c. The foreign currency exposures of payables are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Euro Dollar	**–**	794,766	**–**	–
United States Dollar	**1,028,862**	17,433,684	**–**	–
Ringgit Malaysia	**12,749,891**	440,965	**13,174**	19,363
	13,778,753	18,669,415	**13,174**	19,363

23. REVENUE

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Construction contracts	**4,605,469**	8,371,956	**–**	–
Dividend income from subsidiary companies	**–**	–	**–**	250,000
Sales of goods	**140,311,179**	129,283,323	**–**	–
	144,916,648	137,655,279	**–**	250,000

24. COST OF SALES

	Group 2010 RM	Group 2009 RM
Cost of construction contracts	**4,735,247**	8,820,403
Cost of goods manufactured	**122,636,189**	114,160,267
	127,371,436	122,980,670

25. OTHER INCOME

Other income comprise the following:

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Allowance for doubtful debts no longer required	**76,207**	395,455	**–**	–
Bad debt recovered	**100**	–	**–**	–
Dividend from quoted investments	**22,245**	44,213	**–**	–
Fair value adjustment on investment properties	**20,000**	217,016	**–**	–
Foreign exchange gain				
– realised	**426,045**	1,432,884	**–**	–
– unrealised	**4,301**	35,346	**–**	–
Gain on disposal of a subsidiary company	**–**	87	**–**	–
Gain on disposal of investment property	**317,000**	90,000	**–**	–
Gain on disposal of other investments	**481,598**	–	**–**	–
Gain on disposal of property, plant and equipment	**229,759**	2,771	**–**	–
Insurance claimed	**5,847**	10,228	**–**	–
Interest income	**–**	79,087	**–**	–
Rental income	**143,700**	137,600	**–**	–
Reversal of impairment loss on investment in subsidiary company	**–**	–	**317,604**	–
Sundry revenue	**332,723**	220,555	**–**	–
	2,059,525	2,665,242	**317,604**	–

26. OPERATING LOSS

This is arrived at after inclusion of the following charges:

a.

	Group		Company	
	2010	2009	**2010**	2009
	RM	RM	**RM**	RM
Allowance for doubtful debts	**1,947,159**	678,580	**2,500,000**	–
Amortisation of prepaid lease payments	**27,796**	27,796	**–**	–
Auditors' remuneration:				
Statutory audit				
– Company's auditors	**70,000**	60,000	**12,000**	10,000
– other auditors	**28,000**	35,000	**–**	–
– underprovision in prior financial year	**5,250**	–	**–**	–
Non-statutory audit				
– Company's auditors	**10,575**	12,129	**2,365**	2,784
Bad debts written off	**588,000**	400,131	**500,000**	–
Depreciation	**2,882,463**	3,163,816	**–**	6,027
Foreign exchange loss:				
– realised	**440,747**	31,485	**–**	–
– unrealised	**41,047**	–	**–**	–
Impairment loss on goodwill	**–**	14,000	**–**	–
Impairment loss on investment in subsidiary companies	**–**	–	**3,800,000**	5,721,547
Levy fee forfeited	**39,344**	9,040	**–**	–
Loss on disposal of property, plant and equipment	**–**	114,362	**–**	–
Property, plant and equipment written off	**118,112**	17,945		–
Provision for foreseeable loss	**–**	247,284	**–**	–
Rental of				
– cylinder	**120**	8	**–**	–
– factory	**102,570**	94,920	**–**	–
– hostel	**133,490**	133,225	**–**	–
– machinery	**350**	–	**–**	–
– office equipment	**12,995**	14,820	**–**	–
– premises	**83,878**	82,297	**–**	–
– vehicles	**13,006**	12,844	**–**	–

b. Additional information:

	Group	
	2010	2009
	RM	RM
Raw materials consumed	**106,967,553**	105,143,024

26. OPERATING LOSS (CONTINUED)

c. Directors' remuneration:

i. Directors of the Company

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Executive:				
Fee	**190,000**	110,000	**–**	–
Salaries and other emoluments	**1,057,000**	1,146,000	**65,000**	–
Defined contribution retirement plan	**100,860**	111,360	**–**	–
The estimated monetary value of benefit-in-kind	**365,275**	247,073	**–**	–
Other employee benefits	**122,128**	125,187	**–**	–
	1,835,263	1,739,620	**65,000**	–
Non-Executive:				
Allowances	**60,000**	–	**60,000**	–
Commission	**–**	11,324	**–**	–
	1,895,263	1,750,944	**125,000**	–

ii. Directors of the subsidiary companies

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Executive:				
Fees	**105,000**	–	**–**	–
Salaries and other emoluments	**438,000**	518,432	**–**	–
Defined contribution retirement plan	**53,760**	54,720	**–**	–
The estimated monetary value of benefit-in-kind	**45,143**	28,025	**–**	–
Other employee benefits	**21,146**	18,626	**–**	–
	663,049	619,803	**–**	–

26. OPERATING LOSS (CONTINUED)

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

	Number of directors	
	2010	**2009**
	Nos.	**Nos.**
Executive directors of the Company		
– Below RM50,000	**1**	1
– RM100,001 – RM150,000	**1**	1
– RM200,001 – RM250,000	**–**	–
– RM250,001 – RM300,000	**1**	1
– RM300,001 – RM350,000	**–**	2
– RM450,001 – RM500,000	**2**	–
– Above RM500,000	**–**	–
	5	5
Non-executive directors of the Company		
– Below RM50,000	**4**	–
	9	5

27. FINANCE COSTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Interest on				
– bankers' acceptances	**723,069**	1,095,543	**–**	–
– bank overdrafts	**102,497**	108,306	**–**	–
– hire purchases	**36,999**	52,737	**–**	–
– term loans	**234,291**	209,050	**–**	–
	1,096,856	1,465,636	**–**	–

28. 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 2010 RM	Group 2009 RM
Loss attributable to ordinary equity holders of the Company	**(2,695,626)**	(4,412,994)

	2010 Units	2009 Units
Number of ordinary shares in issue	**126,505,500**	126,505,500
Basic loss per share	**(0.021)**	(0.035)

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 are anti-dilutive, in calculating the diluted loss per ordinary share in accordance with FRS 133 on Earning per Share.

29. ACQUISITION OF SUBSIDIARY COMPANY

a. On 14 December 2009, the Group, through its subsidiary company, SWS, acquired SWS Home from related parties as disclosed in note 32(b).

b. The subsidiary company, SWS Home, was a dormant company at the date of acquisition and the cost of acquisition was RM2.

c. The details of net assets acquired and cash flow arising from acquisition of the subsidiary company were as follows:

	Group 2010 RM	Group 2009 RM
Cash in hand	**2**	–
Purchase consideration	**2**	–
Less: Cash and cash equivalents of subsidiary company acquired	**(2)**	–
Cash from acquisition of subsidiary company, net of cash acquired	**–**	–

30. DISPOSAL OF A SUBSIDIARY COMPANY

On 29 May 2009, a subsidiary company, U.D. Panelform Sdn. Bhd. disposed of its 100% equity interest in Evergreen Trend Sdn. Bhd. for a total cash consideration of RM100. The subsidiary was previously reported as part of the property investment segment.

The disposal had the following effects of the financial position of the Group as at the end of the financial year:

	Group	
	2010 RM	**2009 RM**
Cash at bank	–	2,013
Payables	–	(2,000)
Net assets disposal	–	13
Total disposal proceeds	–	(100)
Gain on disposal to the Group	–	(87)
Cash outflow arising from disposal:		
Cash consideration	–	100
Cash and cash equivalents of subsidiary company disposed	–	(2,013)
Net cash outflow of the Group	–	(1,913)

31. CASH FLOW STATEMENTS

a. Purchase of property, plant and equipment

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

	Group	
	2010 RM	**2009 RM**
Purchase of property, plant and equipment (note 5)	**2,127,969**	4,849,480
Financed by hire purchase plan	**(458,000)**	(26,000)
Non-cash transactions (note 31(c))	–	(2,802,824)
Cash payments on purchase of property, plant and equipment	**1,669,969**	2,020,656

31. CASH FLOW STATEMENTS (CONTINUED)

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash and bank balances	**7,727,608**	5,750,267	**126,847**	164,141
Bank overdrafts	**(2,157,777)**	(1,948,059)	**–**	–
	5,569,831	3,802,208	**126,847**	164,141

The currency exposure profile of the cash and cash equivalents are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
– Euro Dollar	**92**	–	**–**	–
– Ringgit Malaysia	**3,886,509**	3,322,376	**126,847**	164,141
– Thai Bath	**–**	117	**–**	–
– United States Dollar	**1,683,230**	479,715	**–**	–
	5,569,831	3,802,208	**126,847**	164,141

c. Non cash transactions
In 2009, the Group had the following non cash transactions arising from settlement of debts with assets:

	Group	
	2010 RM	2009 RM
Two parcels of vacant freehold land	**–**	2,282,824
Two units of double storey semi-detached houses	**–**	520,000
	–	2,802,824

32. 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. Key management personnel
– Key management personnel represents the executive directors of the Company and its subsidiary companies.

iii. A company in which Dato' Koh Low @ Koh Kim Toon is a director
– U.D. Plywood Industries Sdn. Bhd. ('UDPI').

iv. A firm in which Gan Poh Keong, a director of PKI, is sole proprietor
– Dee Sin Agency.

v. Mr. Neo Tiam Hock and Mr. Neo. Chee Kiat are directors of the Company and directors of SWS.

vi. Mdm. Lee Geok Kim is a director of PKI.

vii. Ms. Koh Shih Leng is the daughter of the Dato' Koh Low @ Koh Kim Toon.

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

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Subsidiary companies:					
Dividends received from					
– SWS		**–**	–	**–**	(120,000)
– UDT		**–**	–	**–**	(130,000)
		–	–	**–**	(250,000)
Advance to subsidiary companies		**–**	–	**–**	(65,000)
Repayment from subsidiary companies		**–**	–	**260,000**	75,580
Allowance for doubtful debt of UDP		**–**	–	**2,500,000**	–
Bad debt written off for PKI		**–**	–	**500,000**	–

32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Related parties					
Sales of goods to UDPI	(i)	**(109,528)**	–	**–**	–
Purchases of goods from UDPI	(ii)	**3,624,824**	–	**–**	–
Disposal of property, plant and equipment to UDPI	(iii)	**(30,000)**	–	**–**	–
Acquired SWS Home from Mr. Neo Tiam Hock and Mr. Neo Chee Kiat	(iii)	**2**	–	**–**	–
Purchase of property, plant and equipment from Ms. Koh Shih Leng	(iii)	**40,000**	–	**–**	–
Rental of factory paid/payable to Mdm. Lee Geok Kim	(iii)	**94,920**	94,920	**–**	–
Foreign workers' expenses paid/payable to Dee Sin Agency	(iii)	**69,246**	36,126	**–**	–

i. The sales of goods to related party were made according to normal course of business based on negotiated and mutually agreed terms.

ii. The purchases of goods from related party were made according to normal course of business based on negotiated and mutually agreed terms.

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

iv. Information regarding outstanding balances which are unsecured, arising from related party transactions as at 31 August 2010, is disclosed in note 14 and 22.

32. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

c. Compensation paid/payable to key management personnel

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Short term employee benefits	**2,403,692**	2,204,667	**125,000**	–
Post-employment benefis	**154,620**	166,080	**–**	–
	2,558,312	2,370,747	**125,000**	–

33. STAFF COSTS

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Salaries and wages	**14,962,871**	13,067,537	**125,000**	–
Defined contribution retirement plan	**995,859**	957,805	**–**	–
Other employee benefits	**330,318**	292,080	**–**	–
	16,289,048	14,317,422	**125,000**	–

34. CAPITAL COMMITMENT

	Group	
	2010 RM	**2009 RM**
Approved but not contracted for:		
Property, net of deposit paid amounting to RM1,600,000 as disclosed in 13(c)(ii)	**475,000**	–

35. CONTINGENT LIABILITIES

UNSECURED
Group

a. A customer of the subsidiary company, UDT, has taken legal action against UDT for:

i. unspecified damages;

ii. the writ of seizure and sale proceedings ('WSS') which UDT obtained judgement 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.

35. CONTINGENT LIABILITIES (CONTINUED)

Group (continued)

b. On 01 August 2008, a subsidiary company, UDTC, entered into an agreement for the construction of log houses for total value of RM13,058,947 which is expected to be completed within eight months from the date of taking possession of the contract site. The terms of the agreement provide that in the event when UDTC fails to complete the construction work by the stipulated date, UDTC is liable for liquidated ascertained damages.

   Due to the variation orders to the contract which have varied the time frame to complete the project, the amount cannot be reliable estimated. Hence, in the opinion of the directors, no provision is required.

UNSECURED

Company

The Company has extended corporate guarantees to bankers for credit facilities to a limit of approximately RM47.9 million (2009 – RM56 million), as disclosed in note 38(b)(i), granted to subsidiary companies.

Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the subsidiary companies amounting to approximately RM30.6 million as of 31 August 2010 (2009 – RM28.1 million).

36. 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 market prices based on negotiated and mutually agreed terms. 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
Construction	Construction of log houses

36. SEGMENTAL REPORTING – GROUP (CONTINUED)

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

2010	Investment holding RM	Manufacturing RM	Construction RM	Property investment RM	Eliminations RM	Consolidated RM
REVENUE AND EXPENSES						
Revenue						
External sales	–	140,311,179	4,605,469	–	–	144,916,648
Inter-segment revenue	–	11,039,355	–	204,000	(11,243,355)	–
Total	–	151,350,534	4,605,469	204,000	(11,243,355)	144,916,648
Results						
Segment results	(6,773,501)	(2,194,067)	(373,641)	162,890	7,142,923	(2,035,396)
Finance costs	–	(1,096,856)	–	–	–	(1,096,856)
Loss before taxation						(3,132,252)
Income tax expenses						198,856
Loss for the financial year						(2,933,396)
Attributable to:						
Equity holders of the Company						(2,695,626)
Minority interests						(237,770)
						(2,993,396)
ASSETS AND LIABILITIES						
Segment assets #	127,847	89,594,317	4,086,475	8,905,453	–	102,714,092
Segment liabilities @	13,174	47,854,687	34,019	6,066	–	47,907,946
OTHER INFORMATION						
Capital expenditure						
– Property, plant and equipment	–	1,662,682	7,287	–	–	1,669,969
Amortisation prepaid lease payment	–	27,796	–	–	–	27,796
Depreciation	–	2,803,065	42,708	36,690	–	2,882,463
Impairment loss on investment in subsidiary companies	–	3,865,000	–	–	(3,865,000)	–
Non-cash expenses other than amortisation and depreciation	–	9,536,846	151,598	–	(6,097,160)	3,591,284
						6,501,543

36. SEGMENTAL REPORTING – GROUP (CONTINUED)

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

2009	Investment holding RM	Manufacturing RM	Construction RM	Property investment RM	Eliminations RM	Consolidated RM
REVENUE AND EXPENSES						
Revenue						
External sales	–	129,134,901	8,520,378	–	–	137,655,279
Dividend income	250,000	–	–	–	(250,000)	–
Inter-segment revenue	–	10,969,198	–	204,000	(11,173,198)	–
Total	250,000	140,104,099	8,520,378	204,000	(11,423,198)	137,655,279
Results						
Segment results	(5,911,647)	(1,699,384)	(1,305,695)	210,430	5,721,547	(2,984,749)
Finance costs	–	(1,465,636)	–	–	–	(1,465,636)
Finance income	–	79,087	–	–	–	79,087
Loss before taxation						(4,371,298)
Income tax expenses						16,400
Loss for the financial year						(4,354,898)
Attributable to:						
Equity holders of the Company						(4,412,994)
Minority interests						58,096
						(4,354,898)
ASSETS AND LIABILITIES						
Segment assets #	165,141	95,347,679	6,136,808	7,366,023	–	109,015,651
Segment liabilities @	19,363	49,806,898	1,213,622	5,017	–	51,044,900
OTHER INFORMATION						
Capital expenditure						
– Property, plant and equipment	–	1,955,037	65,619	–	–	2,020,656
– Non cash transactions (note 31(c))	–	2,802,824	–	–	–	2,802,824
						4,823,480
Amortisation prepaid lease payment	–	27,796	–	–	–	27,796
Depreciation	6,027	3,080,123	40,975	36,691	–	3,163,816
Impairment loss on investment in subsidiary companies	–	5,721,547	–	–	(5,721,547)	–
Non-cash expenses other than amortisation and depreciation	–	1,206,328	275,014	–	–	1,481,342
						4,672,954

: 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.

36. SEGMENTAL REPORTING – GROUP (CONTINUED)

Geographical segment

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

	2010 RM	2009 RM
Africa	**3,040,327**	2,562,314
America	**4,250,949**	3,521,315
Asia Pacific	**34,359,425**	38,023,063
Australia	**1,536,814**	4,092,403
Europe	**39,427,829**	33,138,287
Malaysia	**62,301,304**	56,317,897
Total revenue	**144,916,648**	137,655,279

37. 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.

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 RM	Maturity within one to twelve months
As at 31 August 2010		
Forward contracts used to hedge sales	United States Dollar	**2,581,645**
As at 31 August 2009		
Forward contracts used to hedge sales	United States Dollar	5,933,392

The net unrecognised loss as at 31 August 2010 on forward currency contracts used to hedge anticipated sales which are expected to occur in the next twelve months amounted to RM43,810 (2009 – gain of RM704,681) and are deferred until the related sales are transacted, at which time they are included in the measurement of such transactions.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Credit risk

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

At balance sheet date, the Group is exposed to significant risk on trade debts relating to one (1) (2009 – Nil) major customer, representing 16% (2009 – Nil) of its total trade receivables, as of 31 August 2010.

c. Interest rate risk

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

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 RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	More than 5 years RM	Total RM
At 31 August 2010									
Fixed rate									
Fixed deposits with licensed banks	16	**2.20**	**409,000**	**–**	**–**	**–**	**–**	**–**	**409,000**
Hire purchase payables	21	**3.84**	**335,374**	**253,620**	**106,838**	**–**	**–**	**–**	**695,832**
Floating rate									
Bank overdrafts	20	**6.15**	**2,157,777**	**–**	**–**	**–**	**–**	**–**	**2,157,777**
Bankers' acceptances	20	**3.03**	**28,425,356**	**–**	**–**	**–**	**–**	**–**	**28,425,356**
Term loans	20	**6.68**	**704,634**	**501,623**	**624,999**	**487,520**	**343,600**	**187,852**	**2,850,228**
At 31 August 2009									
Fixed rate									
Fixed deposits with licensed banks	16	3.67	2,762,683	59,453	–	–	–	–	2,822,136
Hire purchase payables	21	4.04	382,203	216,172	89,284	–	–	–	687,659
Floating rate									
Bank overdrafts	20	6.08	1,948,059	–	–	–	–	–	1,948,059
Bankers' acceptances	20	3.43	26,194,000	–	–	–	–	–	26,194,000
Term loans	20	6.09	703,051	960,831	642,409	487,520	487,520	264,436	3,545,767

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.

38. FAIR VALUES

a. Recognised

i. 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			
	2010		2009	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Non-current financial liabilities				
Term loans	**2,145,594**	**1,958,571**	2,842,716	2,583,240
Hire purchase payables	**360,458**	**356,133**	305,456	301,082

ii. 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 RM30,890,761 (2009 – RM34,183,504).

iii, 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.

b. Unrecognised

i. As at 31 August 2010, the contingent liability not recognised in the balance sheet of the Company is as follow:

		Company		
	Note	Credit facilities limit RM	Amount utilised RM	Net fair value RM
Corporate guarantees	35	47,915,949	30,583,133	–

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.

ii. The fair values of forward exchange contracts of the Group as at 31 August 2010 are estimated at RM2,625,455 (2009 – RM5,228,711), determined using forward exchange market rate at the balance sheet date.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

a. On 09 November 2009, a subsidiary company, UDT, has entered into a Sale and Purchase Agreement to dispose a parcel of freehold industrial land with a carrying amount of approximately RM1,150,000 for sale consideration of approximately RM1,150,000. The transaction has been completed during the financial year.

b. On 14 December 2009, a subsidiary company, SWS, has acquired 100% equity interest in SWS Home, a private limited company incorporated in Malaysia for a cash consideration of RM2 from related parties. SWS Home is involved in property investment.

c. On 22 December 2009, a subsidiary company, UDT, has entered into a Sale and Purchase Agreement to dispose three storey shop with a carrying amount of approximately RM148,000 for a sale consideration of approximately RM465,000. The transaction has been completed during the financial year.

List of Material Properties

as at 31 August 2010

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
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/ 8 years	8,128	29.01.99 (Date of Acquisition)
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/ 4 years	4,771	20.06.02 (Date of Acquisition)
Lot 1789, GM1142 Mukim of Sungai Raya District of Muar, Johor	Industrial land with single-storey factory and detached double-storey office	1.9400 hectares	Furniture manufacturing facilities	Freehold/ 4 years	4,685	24.11.04 (Date of Acquisition)
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 on 29-12-2094/ 7 years	3,264	07.06.02 (Date of Acquisition)
Lot 511, Kampung Teluk Wang Jalan Batu Lintang, Sg Pasir 08000 Sg Petani, Kedah	Industrial land with single-storey detached factory and office	24,284.00 sq. m	Rented	Freehold/ 19 years	2,909	31.03.06 (Date of Acquisition)
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 cum warehouse	99 years leasehold expiring in 29-12-2094/ 7 years	2,785	13.07.01 (Date of Acquisition)
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/ 13 years	2,775	31.05.00 (Date of Acquisition)

Address/Location	Description	Land Area	Existing Use	Tenure/ Age of Building	Net Book Value RM'000	Date of Revaluation/ 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	Warehouse	99 years Leasehold expiring in 29-12-2094/ 6 years	1,355	24.06.02 (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/ 11 years	1,257	07.05.02 (Date of Acquisition)
No 18, Jalan Seroja 39 Taman Johor Jaya 81100 Johor Bahru	Double storey terrace warehouse cum office	990.90 sq. m	Warehouse cum office	Freehold/ 16 years	1,156	07.05.00 (Date of Acquisition)

Analysis of Shareholdings

as at 30 December 2010

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	13	0.65	508	0.00
100 to 1,000 shares	264	13.19	237,580	0.19
1,001 to 10,000 shares	1,043	52.12	5,403,130	4.27
10,001 to 100,000 shares	567	28.34	19,822,213	15.67
100,001 to less than 5% of issued shares	111	5.55	74,642,069	59.00
5% and above of issued shares	3	0.15	26,400,000	20.87
Total	**2,001**	**100.00**	**126,505,500**	**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**
N.E.O Resources Sdn Bhd	12,959,000	0	10.24	0.00
Neo Tiam Hock	11,336,896	25,290,518 [a]	8.96	19.99
Neo Chee Kiat	10,858,210	12,969,000 [b]	8.58	10.25

DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings)

Name of Directors	No. of Shares Held Direct	No. of Shares Held Indirect	% of Issued Share Capital Direct	% of Issued Share Capital Indirect
Neo Tiam Hock	11,336,896	25,290,518 [a]	8.96	19.99
Neo Chee Kiat	10,858,210	12,969,000 [b]	8.58	10.25
Dato' Koh Low @ Koh Kim Toon	1,048,324	4,690,258 [c]	0.83	3.71
Koh Ru Ching	7,000	0	0	0
Ng Sey Wee @ Ang She Wee	510	0	0	0
Ng Ah Leet @ Ah Heet	494	0	0	0

Notes:

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

Name		Relationships	No of Direct Shares Held	% of Issued Share Capital
Neo Chee Kiat	a	Child	10,858,210	8.58
Neo Chee How	a	Child	739,154	0.58
Neo Chee Hsian	a	Child	724,154	0.57
Ng Lai Choo	a	Spouse	10,000	0.01
Lim Hui Na	b	Spouse	10,000	0.01
NEO Resources Sdn Bhd	a,b	Substantial shreholder	12,959,000	10.24
Tan Joh Chu	c	Spouse	60,000	0.05
Koh Tie Siang	c	Child	245,050	0.19
Koh Shih Hui	c	Child	25,000	0.02
Perindastrian Madah Sdn Bhd	c	Substantial shreholder	4,360,208	3.45

THIRTY LARGEST SECURITIES ACCOUNT - SHAREHOLDERS
as at 30 December 2010

No.	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEO TIAM HOCK	8,800,000	6.96
2	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEO CHEE KIAT	8,800,000	6.96
3	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR N.E.O RESOURCES SDN. BHD.	8,800,000	6.96
4	BO ENG CHEE	6,073,000	4.80
5	LAU TECK POH	5,757,000	4.55
6	SOH GOK LIAN	4,398,400	3.48
7	N.E.O RESOURCES SDN. BHD.	4,159,000	3.29
8	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PERINDASTRIAN MADAH SDN BHD	3,985,258	3.15
9	TAN BOON HAI	3,342,000	2.64
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI	2,861,700	2.26
11	NEO TIAM HOCK	2,536,896	2.01
12	NEO CHEE KIAT	2,058,210	1.63
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (E-BMM)	2,011,500	1.59
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (E-BMM)	1,551,500	1.23
15	PHNUAH FARN FARN	1,487,300	1.18
16	HASSAN GANY BIN SULTHAN	1,380,600	1.09
17	LEO HUA MOI	1,246,350	0.99
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHNUAH FARN FARN (474003)	1,223,474	0.97
19	CHAN MEI CHENG	1,217,050	0.96
20	IRAMA JIWA SDN. BHD.	1,165,100	0.92
21	TEE GEE SIA	1,141,750	0.90
22	ORCHID CITY SDN. BHD.	1,138,304	0.90
23	TAN HUI LUN	1,129,900	0.89
24	CHONG GEENG LING	1,000,000	0.79
25	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR TAN KING TAI @ TAN KHOON HAI (SMART)	920,700	0.73
26	CHUA LEE SENG	887,368	0.70
27	SEE HUN TENG	858,200	0.68
28	KOH LOW @ KOH KIM TOON	780,218	0.62
29	NEO CHEE HOW	739,154	0.58
30	NEO CHEE HSIAN	724,154	0.57
	TOTAL	**82,174,086**	**64.98**

Analysis of Warrants Holdings

as at 30 December 2010

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	5.80	1,986	0.01
100 to 1,000 warrants	204	31.14	94,510	0.44
1,001 to 10,000 warrants	213	32.52	1,169,478	5.55
10,001 to 100,000 warrants	160	24.43	6,244,895	29.62
100,001 to less than 5% of issued warrants	38	5.80	11,235,181	53.29
5% and above of issued warrants	2	0.31	2,338,200	11.09
Total	**655**	**100.00**	**21,084,250**	**100.00**

Analysis of Warrants Holdings (continued)

THIRTY LARGEST SECURITIES ACCOUNT – WARRANTS HOLDERS
as at 30 December 2010

No.	Name of Warrants holders	No. of Warrants Held	% of Issued Warrants
1	PHNUAH FARN FARN	1,251,600	5.94
2	HASSAN GANY BIN SULTHAN	1,086,600	5.15
3	TAN KING TAI @ TAN KHOON HAI	913,129	4.33
4	FRANCIS CHAI KIM LUNG	900,000	4.27
5	ORCHID CITY SDN. BHD.	600,034	2.85
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD YAP KOK KEONG (T-1441016)	580,000	2.75
7	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI YAM KOOI (M01)	546,400	2.59
8	PHNUAH FARN FARN	514,214	2.44
9	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TENG HOCK HENG	501,700	2.38
10	NEO TIAM HOCK	431,149	2.04
11	TEE GEE SIA	392,175	1.86
12	CHAN LEE YUEN	344,000	1.63
13	KOH SOO @ KOH KIM CHIU	342,900	1.63
14	SO SIEW ENG	305,300	1.45
15	TEOH ENG HOE	300,000	1.42
16	KU KOK KIT	300,000	1.42
17	TEO KIM SOON	285,000	1.35
18	KOH LOW @ KOH KIM TOON	255,180	1.21
19	KU KOK KIT	250,600	1.19
20	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KOON SENG	250,000	1.19
21	GOH CHUO CHAI	243,000	1.15
22	CHAN MEI CHENG	235,375	1.12
23	PERN HOCK SENG	230,000	1.09
24	SEE TIAN CHWAN	200,200	0.95
25	ECML NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR TAN ENG HUAT (003)	200,000	0.95
26	LIEW YUEH MING	194,600	0.92
27	TING BEE TOO	185,025	0.88
28	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD ANG LIAN HUAY (T-1441041)	179,800	0.85
29	TEE GEOK CHONG	170,000	0.81
30	SOO MAUN CHING	150,000	0.71
	TOTAL	**12,337,981**	**58.52**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh (11th) Annual General Meeting of UDS Capital Berhad (Company No. 502246-P) will be held at PTD 4085, Kawasan Perindustrian Parit Jamil, 84150 Parit Jawa, Muar, Johor Darul Takzim on Thursday, 24 February 2011 at 11.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1 To receive the audited financial statements for the year ended 31 August 2010 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) Hj. Ismail Bin Tunggak @ Hj. Ahmad (Article 91) **(Resolution 3)**

3 To re-appoint Messrs. John Lim & Associates as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as **Ordinary and Special Resolution**:

4 **Authority to Issue Shares**
– Ordinary Resolution
"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 5)**

5 **Proposed Amendment to Article 128 of the Company's Articles of Association**
– Special Resolution
"THAT the existing Article 128 be deleted in its entirety and that the following new Article 128 be adopted:

Existing Article 128 – Payment by cheque or warrant

Any dividend, instalment of dividend, bonus or interest in respect of any share may be paid by cheque or warrant payable to the Member registered in the Register and/or the Record of Deposits

New Article 128 – Payment of dividend, interest or other money

Any dividend, interest or money payable in cash in respect of shares may be paid by electronic payments vide direct crediting to the bank account of the holder whose name appear in the Register of Members and/or the Record of Depositors or by cheque or warrant sent through the post directed to the registered address of the holder and to such address as the holder may in writing direct." **(Resolution 6)**

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
28 January 2011

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 Darul Takzim, not less than forty eight (48) hours before the time for holding the meeting.

Explanatory Note on Special Business

5 The Ordinary Resolution 5, 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.

This is the renewal of the mandate obtained from the members on the last Annual General Meeting ('the previous mandate") which will lapse at the conclusion of the Eleventh Annual Meeting. As at the date of this Notice, the previous mandate was not utilised and accordingly no proceeds were raised. The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

6 The Special Resolution under item 5 of the Agenda, is to seek shareholders' approval to amend Article 128 of the Company's Articles of Association to be in line with the recent amendment to the Main Market Listing Requirements in relation to the implementation of the eDividend.

Statement Accompanying Notice of the Eleventh (11th) Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market 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)
Hj. Ismail Bin Tunggak @ Hj. Ahmad	(Article 91)

2. Details of the profiles of the above Directors are set out in the Directors' Profiles on page 12 to 15 of the Annual Report.

3. Details of the above directors' interest in the securities of the Company are set out in the Directors' Report on page 34 to 35 of this Annual Report.

4. The above Directors' family relationship with other Directors and/or substantial shareholders of the Company are disclosed in the Directors' Profile on page 12 to 15 of the Annual Report

5. None of the above Directors have any conflict of interest in the Company.

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

7. None of the other Directors holds any directorship in any public listed company except Hj. Ismail Bin Tunggak @ Hj. Ahmad who is the Director of Muar Ban Lee Group Berhad.

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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 Eleventh (11th) Annual General Meeting of the Company, to be held at PTD 4085, Kawasan Perindustrian Parit Jamil, 84150 Parit Jawa, Muar, Johor Darul Takzim on Thursday, 24th day of February 2011, at 11.30 a.m. and, at every adjournment thereof to vote as indicated below:-

Resolution		**For**	**Against**
To receive the audited financial statements for the financial year ended 31 August 2010 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)	Resolution 2		
b. Hj. Ismail Bin Tunggak @ Hj. Ahmad (Article 91)	Resolution 3		
To re-appoint Messrs. John Lim & Associates as auditors of the Company and to authorise the Directors to fix their remuneration.	Resolution 4		
To empower the Directors to issue & allot shares up to 10% of the issued share capital of the Company.	Resolution 5		
To amend Article 128 of the Company's Articles of Association	Resolution 6		

(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 _____________ 2011.

____
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 Darul Takzim, not less than forty eight (48) hours before the time for holding the meeting.

STAMP

UDS CAPITAL BERHAD
(Company No. 502246-P)

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