



UDS CAPITAL BERHAD

(Company No: 502246-P)
(Incorporated in Malaysia under the Companies Act, 1965)



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Annual Report 2005



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Corporate Information



Directors

Dato' Koh Low @
Koh Kim Toon
Executive Chairman

Neo Tiam Hock
Executive Director

Teh Eng Aun
Independent
Non-Executive Director

Neo Chee Kiat
Managing Director

Ng Sey Wee @ Ang Seh Wee
Executive Director

Khairilnuar Bin Abdul Rahman
Independent
Non-Executive Director

Dato' Tan King Tai @
Tan Khoon Hai
Executive Director

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

Audit Committee

Teh Eng Aun
Committee Chairman

Dato' Tan King Tai @
Tan Khoon Hai

Khairilnuar Bin Abdul Rahman

Hj Ismail Bin Tunggak @ Hj Ahmad

Nomination Committee

Hj Ismail Bin Tunggak @ Hj Ahmad
Committee Chairman

Teh Eng Aun

Remuneration Committee

Hj Ismail Bin Tunggak @ Hj Ahmad
Committee Chairman

Teh Eng Aun

Dato' Tan King Tai @
Tan Khoon Hai

Secretary

Tan Wang Giap
MACS 00523

Auditors

John Lim & Associates
Chartered Accountants

Principal Bankers

Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad

Solicitors

Zaid Ibrahim & Co.

Fadzilah, Ong Chee Seong &
Associates

Ti-Hazalan & Co

Registrars

Plantation Agencies Sdn Berhad
Standard Chartered Bank Chambers
Lebuh Pantai
10300 Penang Pulau Mutiara
Tel: 04-2625333 Fax: 04-2622018

Registered Office

67, 2nd Floor
Room B, Jalan Ali
84000 Muar, Johor Darul Takzim
Tel: 06-9541818 Fax: 06-9525823

Principal Place of Business

PTD 6001, Jalan Perindustrian 5
Kawasan Perindustrian Bukit Bakri
Batu 8, 84200 Muar
Johor Darul Takzim
Tel: 06-9865236 Fax: 06-9865239
Email: udholdings @ myjaring.net

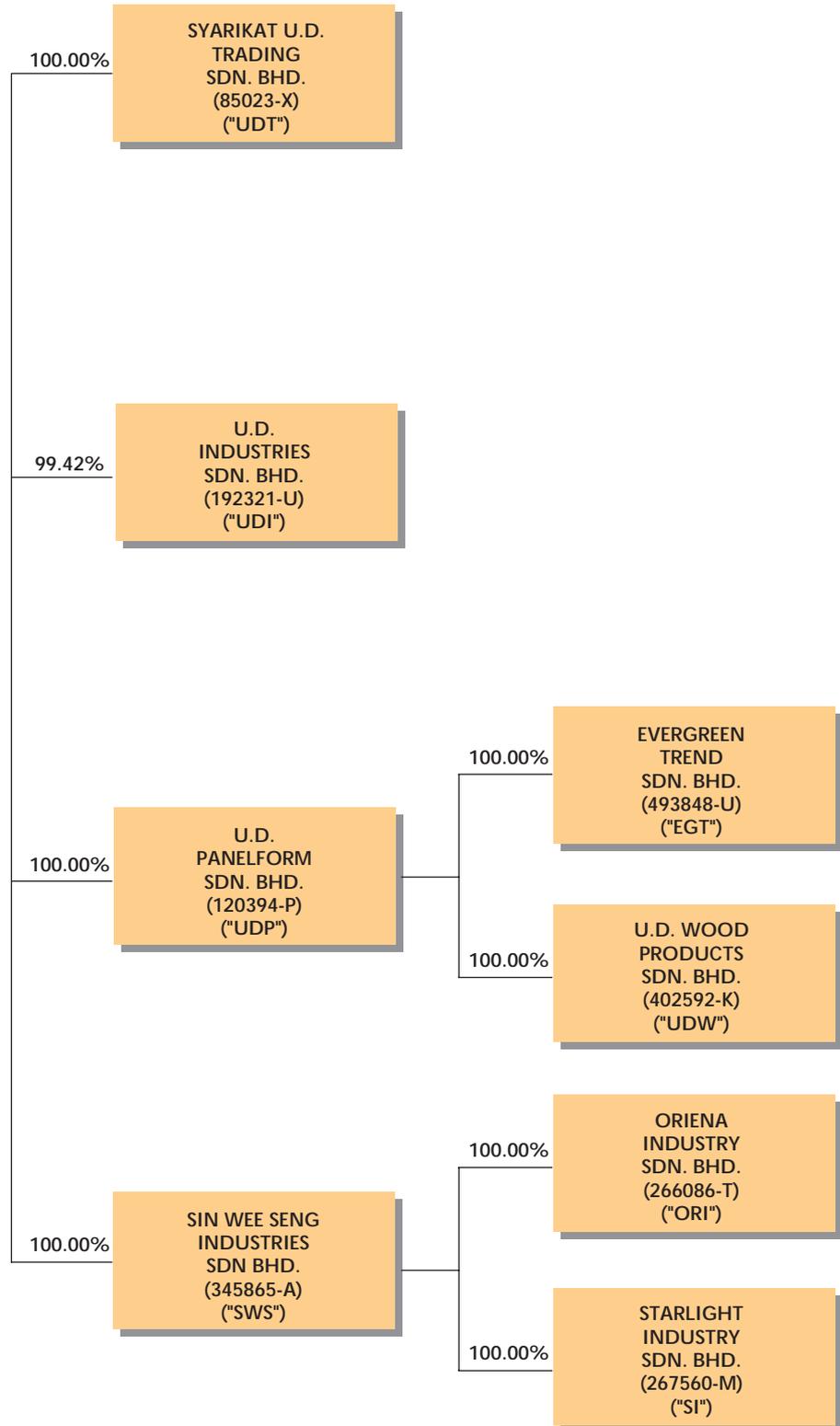
Stock Exchange Listing

Second Board of the
Bursa Malaysia Securities Berhad

Website

www.udmalaysia.com

Corporate Structure





Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth(6th) Annual General Meeting of UDS Capital Berhad (Company No. 502246-P) will be held at PTD 6001, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Batu 8, 84200 Muar, Johor Darul Takzim on Thursday, 16th day of February, 2006 at 11.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

- | | | |
|---|---|----------------|
| 1 | To receive and adopt the audited financial statements for the year ended 31 August 2005 and the Reports of the Directors and Auditors thereon | (Resolution 1) |
| 2 | To sanction the payment of a first and final dividend of 4% less 28% tax for the year ended 31 August 2005 | (Resolution 2) |
| 3 | To approve the payment of directors' fee for the year ended 31 August 2005. | (Resolution 3) |
| 4 | To re-elect Directors retiring under the Article 91 of the Company's Articles of Association | |
| | (a) Dato' Koh Low @ Koh Kim Toon | (Resolution 4) |
| | (b) Mr Neo Chee Kiat | (Resolution 5) |
| | (c) Dato' Tan King Tai @ Tan Khoo Hai | (Resolution 6) |
| 5 | To re-appoint Messrs. John Lim & Associates as auditors of the Company and to authorise the Directors to fix their remuneration. | (Resolution 7) |

AS SPECIAL BUSINESSES

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

- | | | |
|----|--|-----------------|
| 6 | Authority to Issue Shares

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from the Malaysia Securities Exchange 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 8) |
| 7 | "THAT pursuant to the Company's Employees' Share Option Scheme ("the ESOS") as approved at the Extraordinary General Meeting of the Company held on 25 August 2004, the Directors of the Company be and are hereby authorised, in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the ESOS". | (Resolution 9) |
| 8. | PROPOSED SHAREHOLDERS' RATIFICATION FOR THE PROVISION OF FINANCIAL ASSISTANCE BY SYARIKAT U.D. TRADING SDN BHD ("UDT"), A WHOLLY OWNED SUBSIDIARY OF THE COMPANY, AMOUNTING TO RM6,322,274.24 TO DIMENSI ALAM SDN BHD ("DA"), A 48.1% OWNED ASSOCIATED COMPANY OF UDT ("PROPOSED RATIFICATION")

"THAT, subject always to the provisions of the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities LR") and the regulations, guidelines and practice notes issued from time to time by Bursa Malaysia Securities Berhad ("BMSB") or any other regulatory authorities, approval be and is hereby given for the provisions of financial assistance by UDT, a wholly owned subsidiary of the Company amounting to RM6,322,274.24 to Dimensi Alam Sdn. Bhd., as detailed in Section 2.1 of the Circular dated 23 January 2005 is hereby ratified." | (Resolution 10) |
| 9 | PROPOSED PROVISION OF FINANCIAL ASSISTANCE BY UDT, A WHOLLY OWNED SUBSIDIARY OF UDS AMOUNTING TO RM470,800.00 TO DA ("PROPOSED PROVISION OF FINANCIAL ASSISTANCE")

"THAT, subject always to the Bursa Securities LR, approval be and is hereby given to UDT, a wholly owned subsidiary of the Company to provide financial assistance of up to RM470,800.00 to DA where the provision of financial assistance is necessary to facilitate the ordinary course of business of DA; | |



Notice of Annual General Meeting (Cont'd)

AND THAT the Directors of the Company be and are hereby authorized to give effect to the Proposed Provision of Financial Assistance with full powers to do all such acts as they may consider necessary or expedient so as to give full effect to the same with further power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant government/regulatory authorities."

(Resolution 11)

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

NOTICE OF ENTITLEMENT DATE AND DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that a first and final dividend of 4% less 28% tax in respect of the financial year ended 31 August 2005, if approved by members at the sixth (6th) Annual General Meeting on 16 February 2006, will be paid on 13 March 2006 to Depositors registered in the Records of Depositors at the close of business on 28 February 2006.

A Depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 28 February 2006 in respect of ordinary transfer, and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

.....
Tan Wang Giap (MACS 00523)
Company Secretary

Muar, Johor Darul Takzim
23 January 2006

Notes:

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

Explanatory Notes on Special Businesses

5. Resolution 8 - Authority to Issue Shares
The Ordinary Resolution if passed will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purpose as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.
6. Resolution 9, if passed, will enable the Directors of the Company, from the date of the General Meeting, to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Employees' Share Option Scheme. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.
7. Resolution 10, if passed, will ratify the finance assistance as stated in Section 2.1 of the said Circular Resolution, which prior approval from the shareholders of the Company as required pursuant to paragraph 1.03 and 8.23(2) (c) of the Bursa Listing Requirements was advertently not obtained due to the expedient need to advance financial assistance to Dimensi Alam Sdn Bhd ('DA').
8. Resolution 11, if passed, will empower the Directors of the Company to continue providing financial assistance to DA by UDT to finance the financial needs of the DA to service the monthly installment.

Statement Accompanying Notice of Annual General Meeting



STATEMENT ACCOMPANYING NOTICE OF THE 6TH ANNUAL GENERAL MEETING OF THE COMPANY

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

1. The Directors who are standing for re-election pursuant to Article 91 of the Company's Articles of Association are as follows:-

Dato' Koh Low @ Koh Kim Toon
Neo Chee Kiat
Dato' Tan King Tai @ Tan Khoon Hai

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

Four (4) Board of Directors' Meeting were held during the financial year from 1st September, 2004 to 31st August, 2005. Details of attendance of Directors at the Board of Directors' Meeting during the financial year are as follows: -

Name	No. of Meeting attended
Dato' Koh Low @ Koh Kim Toon	4/4
Neo Chee Kiat	4/4
Dato' Tan King Tai @ Tan Khoon Hai	4/4
Neo Tiam Hock	4/4
Ng Sey Wee @ Ang Seh Wee	4/4
Teh Eng Aun	4/4
Khairilnuar Bin Abdul Rahman	3/4
Hj Ismail Bin Tunggak @ Hj Ahmad	4/4

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

All four (4) Board of Directors' Meeting held during the financial year ended 31st August, 2005 took place at PTD 6001, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Batu 8, 84200 Muar, Johor Darul Takzim.

Date of Meeting	Time
25 October 2004	11.00 a.m.
11 January 2005	2.00 p.m.
29 April 2005	2.40 p.m.
28 July 2005	2.50 p.m.

4. Details of the profile of directors who are standing for re-election are set out in the Directors' Profile on page no 7 of the Annual Report.

5. Date, time and place of the Annual General Meeting
- | | | |
|-------|---|---|
| Date | : | 16 February 2006 |
| Time | : | 11.00 a.m. |
| Venue | : | PTD 6001, Jalan Perindustrian 5
Kawasan Perindustrian Bukit Bakri
Batu 8,84200 Muar
Johor Darul Takzim |

Directors' Profile



Board of Directors

Dato' Koh Low @ Koh Kim Toon, aged 53, a Malaysian, is the Executive Chairman of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He is the founder of the UDT Group and is presently the Managing Director of UDI, UDP, UDW and EGT. He has more than 22 years of experience and expertise in the furniture industry. His vision and stewardship over the past 22 years has taken the wood-based furniture, fixture and accessories division of the Group from a small scale manufacturer into its current position as one of the major lamination board manufacturers in Malaysia. He specialises in both the manufacturing and the marketing field of the wood-based furniture, fixtures and accessories division of the UDS Group and is currently responsible for the overall business operation and strategic planning. He is the Adviser to the Muar Furniture Association and sits on the board of Emivest Berhad, a company listed on the Main Board of the BMSB and a few other private limited companies. He has no family relationship with any other Director or Major Shareholder of the Group.

Neo Chee Kiat, aged 35, a Malaysian, is the Managing Director of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He assisted his father in the day-to-day marketing and sofa operation of Kim Seng sole proprietorship business in 1988 and later he joined SWS as a Director. With more than 16 years experience in the manufacturing of sofa furniture, he has steered SWS from a small-scale manufacturer to being one of the major sofa manufacturers and exporters in Malaysia. He is responsible for the overall business planning and marketing strategy of the upholstered furniture division of the UDS Group. He is the Honorary Secretary to the Johor Furniture Association and the Chinese Correspondent in the Federation of Johor Furniture Manufacturers and Traders Association and also sits on the board of a few private limited companies. Mr. Neo Chee Kiat is the eldest son of Mr. Neo Tiam Hock.

Dato' Tan King Tai @ Tan Khoon Hai, aged 50, a Malaysian, is the Executive Director of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He is a member of The Institute of Certified Public Accountants, Ireland and is currently committee member of The Institute of Commercial and Industrial Accountants, Malaysia. He obtained his Master of Business Administration majoring in Accounting and Finance from Clayton University, Missouri, United States of America in 1999. He has over 26 years of experience in the fields of auditing, accounting and company secretarial services. He is the Director of UDT since June 2002 and is responsible for corporate planning, finance and management of the company. He sits on the board of Pensonic Holdings Berhad and Unimech Group Berhad which are listed on the Second Board of the BMSB. He also sits on the board of a few private limited companies. He has no family relationship with any other Director or Major Shareholder of the Group.

Directors' Profile *(cont'd)*



Neo Tiam Hock, aged 59, a Malaysian, is the Executive Director of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He is the founder of SWS. He has more than 41 years of experience and expertise in the furniture industry, which has helped the Group in the growth of its upholstered furniture division. He is responsible for the overall business operation of the upholstered furniture division of the UDS Group. He also sits on the board of a few private limited companies. Mr. Neo Tiam Hock is the father of Mr. Neo Chee Kiat.

Ng Sey Wee @ Ang Seh Wee, aged 59, a Malaysian, is the Executive Director of UDS and was appointed to the Board of Directors of UDS on 30 November 2003. He has more than 10 years of working experience in the furniture industry and is involved in the daily operations of the wood-based furniture, fixture and accessories division of the UDS Group. His responsibility includes sourcing of raw materials, marketing and management of the wood-based furniture, fixtures and accessories division. He also sits on the board of a few private limited companies. He has no family relationship with any other Director or Major Shareholder of the Group.

Teh Eng Aun, aged 54, a Malaysian, was appointed as the Independent Non-Executive Director of UDS on 30 November 2003. He obtained his Bachelor of Commerce degree from the University of Newcastle, New South Wales, Australia in 1975. He practised as a chartered accountant in a public accounting firm between 1981 and 1995. In 1996, he joined UT Securities Sdn Bhd as a remisier. He has over 21 years of experience in corporate consultancy, financial management, auditing and investigation. He is presently a general committee member of the Penang Chinese Chamber of Commerce and a member of the Malaysian Institute of Accountants. He has no family relationship with any other Director or Major Shareholder of the Group.

Directors' Profile *(cont'd)*



Khairilnuar Bin Abdul Rahman, aged 40, a Malaysian, was appointed as the Independent Non-Executive Director of UDS on 30 November 2003. He graduated from the Institute of Technology Mara in 1988. He started his career by managing a petrol kiosk from 1989 to 1993. He then joined a private limited company as an Executive Director since 1993 and is also the Independent Non-Executive Director and Audit Committee member of Pensonic Holdings Berhad since February 2002 which is listed on the Second Board of BMSB. He is also a director of Denko Industrial Corporation Berhad. He also sits on the board of a few private limited companies. He has no family relationship with any other Director or Major Shareholder of the Group.

Hj Ismail Bin Tunggak @ Hj Ahmad, aged 55, a Malaysian, was appointed as the Independent Non-Executive Director of UDS on 30 November 2003. He was the Head of POS Malaysia & Services Holdings Berhad (previously known as Jabatan Perkhidmatan POS / POS Malaysia Bhd.), Bukit Pasir from 1976 to 1983 and Sungai Mati from 1983 to 1987. He was the Penghulu of Mukim Sri Menanti from 1987 to 1997 and of Mukim Tangkak from 1997 to 2000 before holding the post of Penghulu of Mukim Parit Bakar since 2000. He is also a committee member of several government agencies. He has no family relationship with any other Director or Major Shareholder of the Group.

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.

Chairman's Statement



Dato' Koh Low @ Koh Kim Toon
(Group Executive Chairman)

**On behalf of the
Board of Directors of
UDS Capital Berhad,
I am pleased to
present to you the
Annual Report and
the Audited Financial
Statement of the
Group and the
Company, for the
year ended 31 August
2005.**

Review of Operations

The global economy growth for 2005 is expected to moderate from its peak level achieved in 2004. The Malaysian economy similarly has also moderated amidst a slowdown in external demand, with GDP growth slowing to 5.7% in the 1st quarter of 2005 from 8.1% and 6.2% registered in the 1st half and 2nd half of 2004 respectively. Recent indicator also shows that the Malaysian economy will continue to cool further. With crude oil price climbing to new highs over the months into 2005, corporate earnings may be negatively impacted due to the upward pressure on energy cost driving up raw materials and components prices. On the domestic front, the government's fuel subsidies policy, despite being reduced gradually, has shielded the economy and consumer demand from the full effects of the escalating oil price.

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

Financial Review

The Group achieved a turnover of RM98.3 Million for the financial year under review, recording a commendable 3.15% turnover growth over the previous financial year's proforma turnover of RM95.3 Million. The marketing strategies and export market development initiatives that the Group had put in place to increase market share in both the domestic and export markets have proved to be effective in generating the turnover growth.

The Group achieved a Net Profit (after taxation) of RM4.6 Million as compared to RM8.5 Million achieved in the previous financial year. This lower profit is due to the uncertainty in the global economy resulting in a temporary contraction of consumer spending in the furniture industry, the Group has been substantially affected by the intense pricing competition from the market. To meet the major challenges, the Group undertook aggressive marketing, promotional and pricing strategies to protect its market share in both the domestic and export markets.

The strategies have proven to be fruitful with Group turnover increased by 3.15% as compared to the previous year.

However, the strategies also necessitated short term sacrifices in profit margins. Faced with the substantial declined in retail prices, the management of the Group also was prudent to value certain inventories at net realizable value.

The Net Tangible Asset per share and earnings per share of the Group for the financial year under review is RM0.75 and 5.5 cents respectively.

Chairman's Statement *(cont'd)*



Future Prospects

The recent Malaysian Ringgit regime change from a fixed peg to a managed float is seen as a positive and growth supportive move, allowing for the re-opening of policy options in managing inflation and economy reform, and will lessen the need for pump-priming by the government. A stronger Malaysian Ringgit is also expected to boost domestic demand, in particular private consumption from stronger purchasing power.

The market consensus for Malaysia's 2006 GDP growth projection is 5.7% with support from stronger private consumption, clearer investment atmosphere and healthier exports. Key concerns that may affect the projection are sustained high oil prices, probable higher interest rates, rising household debts and unforeseen external shocks.

Although the overall economic outlook generally still remains positive, the business and operating environment are expected to be increasingly challenging and competitive. Against the backdrop of this environment, the Group has established its key business strategies to ensure sustainable growth, profitability and long-term competitiveness of the Group into the future.

The Group is actively looking into potential acquisitions and joint-ventures as a long-term growth strategy. These include acquisitions of or joint-ventures with local as well as foreign corporations, which can provide a synergistic effect to the overall business of the Group in terms of revenue, profitability, market channels and operation efficiencies.

I am confident that, with the above business strategies in place combined with the continual effort of the Group to enhance productivity and cost efficiencies in its operations, the Group is on the right track for sustainable growth and profitability into the future.



Dividends

The Board is recommending a first and final dividend of 4% less 28% tax in respect of the financial year ended 31 August 2005.

Appreciation

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, valued customers, vendors, business associates, bankers, media, government authorities and regulatory bodies for their continued trust, confidence and support. I would also like to extend my heartfelt thanks to my fellow directors, management team and all employees of the Group for their commitment, loyalty and dedication in elevating the Group to greater heights and growth.

Dato' Koh Low @ Koh Kim Toon
Group Executive Chairman

20 January 2006



Audit Committee Report



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

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations who have served during the financial year ended 31 August 2005 are as follows :-

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

TERMS OF REFERENCE

• Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, the majority of whom including the Chairman shall be Independent Directors. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or possesses such other qualifications and/or experiences as approved by Bursa Malaysia Securities Berhad (BMSB). No alternate director shall be appointed as a member of the Audit Committee. Any vacancy which affects the composition must be filled up within three (3) months. The member shall serve up to the forthcoming Annual General Meeting. An appointment terminates when a member ceases to be a Director.

MEETINGS

• Authority of the Audit Committee

The Audit Committee is authorized by the Board with the following rights :

- Explicit authority to investigate any matter within its terms of reference.
- Have the necessary resources required to perform its duties.
- To have full, free and unrestricted access to all information and documents pertaining the Group.
- Have direct communication channels with the external and internal auditors.
- Able to obtain independent professional advice and to invite outsiders with relevant experience to attend and to brief the Audit Committee.
- The attendance of other Directors and employees to any particular Audit Committee meeting of the Company shall be at the Audit Committee's invitation and discretion and must be specific to the relevant meeting.

• Meetings and Procedures

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

The Company Secretary shall act as the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by such necessary explanatory documentation to the members of the Audit Committee prior to each meeting. The Secretary shall also be responsible for keeping the minutes of the meetings of the Audit Committee, and circulating them to the members and other members of the Board. Other directors and employees shall attend any particular Audit Committee meeting only at the invitation of the Audit Committee.

During the financial year ended 31 August 2005, the Audit Committee held a total of four (4) meeting, the details of attendance of which are as follows :-

Member	No. of meetings attended
Mr. Teh Eng Aun	4 of 4
Encik Khairilnuar Bin Abdul Rahman	2 of 4
Hj Ismail Bin Tunggak @ Hj Ahmad	3 of 4
Dato' Tan King Tai @ Tan Khoon Hai	4 of 4



Audit Committee Report *(Cont'd)*

• Quorum

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

• Functions and Duties

The following are the main functions and duties of the Audit Committee collectively :-

- a. Review and assess the adequacy and effectiveness of internal control systems and to consider major findings of internal investigations and management's response.
- b. Review the adequacy of the scope, functions, resources and authority given to the internal audit function.
- c. Review the results of the internal audit program, process or investigations undertaken to ensure that appropriate action is taken on the recommendation made by the internal auditors.
- d. Recommend to the Board on the appointment of external auditors, their terms of appointment and reference and any matters in relation to their resignation or dismissal.
- e. Review with the external auditors the nature and scope of their audit plan, prior to the commencement of audit work.
- f. Review the assistance and co-operation given by the officers of the Group to the external and internal auditors.
- g. Discuss the problems and reservations arising from the interim and final audits and any matter the external auditors may wish to discuss.
- h. Review the quarterly and annual financial statements prior to approval by the Board, focusing particularly on -
 - Any changes in accounting policies and practices ;
 - Significant adjustments and unusual events arising from the audit;
 - The going-concern assumption; and
 - Compliance with accounting standards, Listing Requirements of BMSB and other legal requirements.
- i. Review all related party transactions and situations where conflict of interests may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
- j. Undertake such other functions as may be delegated by the Board from time to time.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 August 2005, the activities of the Audit Committee included the following :-

- Review of the external auditors' plan, strategy and scope of statutory audits for the financial year.
- Review with the external auditors of the results and issues from their audit, their resolution of such issues and management letters including management's response.
- Review of the unaudited quarterly results, annual financial statements and related announcements prior to submission to the Board for approval and subsequent release to BMSB, to ensure that the financial reporting and disclosure requirements of the relevant authorities had been complied with.
- Review with the internal auditors of their internal audit plan to ensuring that principal risk areas were adequately identified and covered in the plan.
- Review the findings of the internal audit function and to ensure appropriate actions were taken and recommendations implemented.
- Review the procedures for identification of related party transactions of the Group.
- Review the Group's key operational and business risks area and the policies in place to address and minimize such risks.
- Review the Corporate Governance Statement for inclusion in the Group's Annual Report.

INTERNAL AUDIT FUNCTION

The Audit Committee is aware of the importance of independent and adequately resourced internal audit function for the effectiveness of internal control system. The principal responsibilities of the internal audit function are as follows :

- Evaluate the effectiveness of the internal control systems so as to provide reasonable assurance that such systems continue to operate satisfactory and effectively.
- Review, appraise and to ensure compliance with the Group's established policies and procedures as well as the relevant statutory requirements.
- Highlight major weakness in control procedure and make recommendation for improvements to the Audit Committee.

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

Statement Of Internal Control



Introduction

Paragraph 15.27(b) of Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") requires the Board of Directors of public listed companies to include a statement in the Annual Report on the state of internal controls in the Company as a Group. The Board of Directors of UDS Capital Berhad is pleased to provide the following statement on internal control of the Group for the financial year under review prepared in accordance with the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by BMSB.

Board Responsibilities

The Board of Directors recognizes the importance of sound internal controls and risk management practices in the maintenance of good corporate governance. The system of internal control is designed to identify and manage the principal risks facing by the Group in pursuit of its objectives. The system covers control relating to financial, operational, risk management and compliance with applicable rules and regulations.

The responsibilities of the Board in relation to the system extend to all subsidiaries of the Group. In view of the limitations inherent in any system of internal control, the Group's system of internal control can only manage rather than eliminate the risk of failure to achieve corporate objectives and therefore can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

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

System of Internal Control

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

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

- An organizational structure with clearly defined lines of responsibility and delegated authority has been properly communicated to all levels.

- The Group's management with the assistance of a centralized human resource function sets the policies for recruitment, training and appraisal of the employees within the Group.
- Key responsibilities are properly segregated in order that no employee is in total control of the whole transaction.
- The Board of Directors evaluates risks involved and seeks appropriate experts' advice in considering business proposals and operational issues so as to make an effective decision in the best interest of the Group.
- The Group's management sets clearly defined authorization procedures and exercise strict control on compliance therewith by all levels of employees.
- Standard Operating Procedures are clearly documented and implemented, and are regularly reviewed.
- The Group's management regularly visits the various branches and subsidiaries and discusses key operational and business issues with the respective branch and subsidiary's employees.
- The Group's management meets monthly to review the operational and financial performance of the businesses in the Group and its subsidiaries, and to discuss key business, operational and management issues.
- The Board of Directors receives and reviews quarterly performance reports on the Group and its subsidiaries from the management, and discuss on significant business and risk issues.
- The Group's management and internal auditors have conducted reviews on the system of internal control to ensure compliance with the established policies and procedures of the Group. Weaknesses are properly communicated to management and prompt corrective actions have been taken.

Conclusion

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

This statement is made in accordance with a resolution of the Board of Directors dated 23 January 2006.

Statement on Corporate Governance



The Malaysian Code of Corporate Governance ("The Code") sets out the principles and best practices on structures that companies may adopt and implement to achieve the ultimate objectives of maximizing shareholders' value. The Board of Directors ("The Board") of UDS Capital Berhad is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group to enhance the shareholders' value and the financial performance of the Group.

The following statement outlines the key principles of corporate governance and best practices as set out in the Code which the Group has applied for the financial year ended 31 August 2005.

DIRECTORS

1. The Board and Board Balance

The Board of Directors consists of eight (8) members comprising five (5) executive directors, and three (3) non-executive directors. Three of the eight directors are independent directors. The Board has complied with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad that at least two or one-third of the Board, whichever is the higher is independent directors. The Board considers its current size adequate given the existing scope and nature of the Group's business operations.

The Board is responsible for implementing the policies and decisions of the Board, overseeing the operations and developing the business and corporate strategies of the Group. The Board also monitors the performance of the Group and ensures that a proper internal control system is in place. The presence of independent non-executive directors is to provide independent and unbiased views of financial and business inputs for the interest of the Group.

2. Attendance at Meetings

The attendance record of the members at Board meetings are as follows :-

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

3. Supply of Information

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, the Board members have full and unrestricted access to all information concerning the Group's affairs. Prior to the Board meetings, all Board members are provided with the agenda and board papers containing information relevant to the business of the meeting to enable them to obtain further explanations, where necessary, in order to be properly briefed before the meetings. The Board papers including information on major financial, operational and corporate matters of the Group. The Board members also have access to the advice and services of the Company Secretary, senior management and independent professional advisers including the external auditors.

Statement on Corporate Governance (Cont'd)



DIRECTORS (cont'd)

4. Appointment and Re-election

In accordance with Article 91 of the Company's Articles of Association, one-third or the number nearest to one-third of the directors shall retire from office and be subject to retirement by rotation at each Annual General Meeting ("AGM"). The articles also provide that all directors shall retire once in every three (3) years in compliance with the Code. Directors who are appointed before the next AGM will retire and be subject to re-election by shareholders at the next AGM.

5. Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. The Directors are required to attend continuous education programmes and seminars to keep abreast with developments in the marketplace. A majority of the directors are in the process of achieving the required Continuing Education Programme ("CEP") points for the year.

6. Nomination Committee

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

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

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

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

7. Remuneration Committee

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

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

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

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

The details of the remuneration for the Directors of the Company for the financial year ended 31 August 2005 is presented in the Note 25b to the Financial Statement.

Statement on Corporate Governance (Cont'd)



DIRECTORS (cont'd)

8. IESOS Committee

ESOS Committee was established by the Board on 25 August 2004. The Committee comprises 4 Senior Executive Staff and one Executive Director. The members are :

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

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

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

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

9. Audit Committee

In compliance with the listing requirement, an audit committee was established by the Board on 1 September 2003. The composition of the committee and terms of reference as shown on page 12 to 13 of this report.

DIRECTORS' REMUNERATION

The determination of remuneration packages of the directors are matters for the Board as a whole. The remuneration of the directors is structured to attract, retain and motivate them in order to run the Group successfully.

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

The aggregate remuneration of the Directors for the financial year ended 31 August 2005 is as follows :-

Category	Fees	Salaries & Other Emoluments	Total
	RM	RM	RM
<u>Director of The Company</u>			
Executive Directors	125,000	1,091,897	1,216,897
Non-Executive Directors	30,000	-	30,000
<u>Director of The Subsidiary Company</u>			
Executive Directors	20,000	83,677	103,677

Statement on Corporate Governance (Cont'd)



Remuneration categories of the Directors during the financial year are as follows :-

Range of Remuneration In RM	Number of Directors	
	Executive Director	Non-Executive Director
<u>Director of The Company</u>		
Below 50,000	1	3
50,000 - 100,000	-	-
100,001 - 150,000	-	-
150,001 - 200,000	-	-
200,001 - 250,000	1	-
250,001 - 300,000	1	-
300,001 - 350,000	2	-
<u>Director of The Subsidiary Company</u>		
Below 50,000	2	-
50,000 - 100,000	1	-

RELATIONSHIP WITH SHAREHOLDERS

The Group recognizes the importance of effective communication with its shareholders and investors to keep them informed of the major development of the group. Such information is disseminated through the following channels :-

- Annual Report;
- Circulars to shareholders;
- Various disclosures and announcement to Bursa Malaysia Securities Berhad; and
- Company's website at www.udmalaysia.com.

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

ACCOUNTABILITY AND AUDIT

1. Financial Reporting

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

2. Internal Control

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

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



ACCOUNTABILITY AND AUDIT (cont'd)

3. Relationship with Auditors

The Board, via the Audit Committee, has established a formal and transparent arrangement for maintaining an appropriate relationship with its auditors, both external and internal.

4. Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year then ended.

In preparing the financial statements for the year ended 31 August 2005, the Directors have:-

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

The Directors are responsible for keeping proper accounting records of the Group and Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

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

5. Compliance Statement

Throughout the financial year ended 31 August, 2005, the Group has complied with all the Best Practices of Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance.

Other Disclosure Requirements



PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

- a) Share Buybacks**
During the financial year, there were no share buybacks by the Company.
- b) Options, Warrants or Convertible Securities**
No warrants or convertible securities were exercised by the Company during the financial year.
- c) American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme.**
During the financial year, the Company did not sponsor any ADR or GDR Programme.
- d) Imposition of Sanctions/Penalties**
There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.
- e) Non-Audit Fees**
There was no non-audit fees paid to the external auditors during the financial year.
- f) Variation in Results**
There was material variation between the audited results for the financial year and the unaudited results previously announced, detail of which as following:

	RM ('000)
Unaudited profit after taxation as per Quarterly Report	5,670
Add / (Less)	
Inventories stated at net realizable value	(687)
Underprovision of doubtful and bad debts	(237)
Elimination of inter-branch unrealized profit on inventories	(177)
Discount given to customers omitted to take up	(217)
Overprovision of taxation:-	
- due to written down of inventories to net realisable value	137
- due to elimination of inter-branch unrealized profit on inventories	50
Other audit adjustments	27
Audited profit after taxation and minority interest	4,566

- g) Material Contracts**
To the best of the Board's knowledge, there are no material contracts involving the Group with any of the major shareholders nor Directors in office as at 31st August, 2005.
- h) Contracts Relating to Loans**
There were no contracts relating to loans by the Company in respect of the above said item.
- i) Revaluation of Landed Properties**
Saved as disclosed in Note 6 of the Notes to the Financial Statements, the Group does not have a revaluation policy on landed properties.
- j) Profit guarantees**
During the financial year, there were no profit guarantees given by the Company or its subsidiaries.



Financial Statements

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DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the year ended 31 August 2005.

PRINCIPAL ACTIVITIES

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

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

There have been no significant changes in the nature of these activities of the Group and of the Company except that a subsidiary company ventured into manufacturing of polyethylene foam during the financial year.

RESULTS

The net profit for the year of the Group and of the Company were RM4,565,612 and RM2,056,073 respectively.

DIVIDEND

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

RM

In respect of the year ended 31 August 2004,
as shown in the directors' report of that year,

- first and final dividend of 5% less 28% tax
declared on 12 January 2005 and paid on
29 January 2005

1,518,066

The directors proposed a first and final dividend of 4% less 28% tax amounting to RM1,821,679 in respect of year ended 31 August 2005, subject to the approval of members at the forthcoming Annual General Meeting.

ISSUE OF SHARES AND DEBENTURES

During the financial year,

- (a) the Company increased its authorised capital from 100,000,000 ordinary shares of RM0.50 each to 200,000,000 ordinary shares of RM0.50 each; and
- (b) the issued and paid-up share capital increased from RM40,000,000 to RM42,168,500 by way of exercise of Employees' Share Option Schemes (ESOS) of 4,337,000 new ordinary shares of RM0.50 each.

The resulting premium arising from the shares issued above of RM997,510 has been credited to the share premium account.

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

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

DIRECTORS' REPORT *(continued)***RESERVES AND PROVISIONS**

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

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

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

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

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

Date granted	Expiry date	Exercise price per share RM	Number of unissued ordinary shares under ESOS			
			At 01.09.2004	Granted	Exercised	At 31.08.2005
13.09.2004	12.09.2009	0.73	-	8,316,000	4,337,000	3,979,000

b) Details of share options exercised during the financial year are as follows:-

Exercised date	Exercise price per share RM	Number of share options exercised	Consideration received RM
25.10.2004	0.73	1,817,000	1,326,410
06.01.2005	0.73	2,520,000	1,839,600
		4,337,000	3,166,010
Less: Par value of ordinary shares			2,168,500
Share premium			997,510

DIRECTORS

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

Dato' Koh Low @ Koh Kim Toon
 Neo Chee Kiat
 Dato' Tan King Tai @ Tan Khoon Hai
 Neo Tiam Hock
 Ng Sey Wee @ Ang Seh Wee
 Teh Eng Aun
 Khairilnuar Bin Abdul Rahman
 Hj Ismail Bin Tunggak @ Hj Ahmad

In accordance with the Company's articles of association, Dato' Koh Low @ Koh Kim Toon, Neo Chee Kiat and Dato' Tan King Tai @ Tan Khoon Hai retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT *(continued)***DIRECTORS' SHAREHOLDINGS**

The directors holding office at the year end and their interests in share capital of the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			Balance 31.08.2005
	Balance 01.09.2004	Bought	Sold	
Registered in the name of directors:				
Dato' Koh Low @ Koh Kim Toon	16,412,208	1,053,100	(251,000)	17,214,308
Neo Chee Kiat	2,325,474	1,580,000	-	3,905,474
Dato' Tan King Tai @ Tan Khoon Hai	2,283,814	380,000	-	2,663,814
Neo Tiam Hock	4,024,598	200,000	-	4,224,598
Ng Sey Wee @ Ang Seh Wee	2,566,340	190,000	(580,000)	2,176,340
Teh Eng Aun	60,000	-	(60,000)	-
Khairilnuar Bin Abdul Rahman	60,000	-	-	60,000

	Number of options over ordinary shares of RM0.50 each			At 31.08.2005
	Exercise price RM	Granted	Exercised	
Dato' Koh Low @ Koh Kim Toon	0.73	360,000	180,000	180,000
Neo Chee Kiat	0.73	360,000	180,000	180,000
Dato' Tan King Tai @ Tan Khoon Hai	0.73	360,000	180,000	180,000
Neo Tiam Hock	0.73	360,000	180,000	180,000
Ng Sey Wee @ Ang Seh Wee	0.73	360,000	180,000	180,000
Teh Eng Aun	0.73	108,000	-	108,000
Khairilnuar Bin Abdul Rahman	0.73	108,000	-	108,000
Hj Ismail Bin Tunggak @ Hj Ahmad	0.73	108,000	-	108,000

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

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than remuneration shown in note 25 (b) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in note 32 and 34 to the financial statements.

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

DIRECTORS' REPORT *(continued)***OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

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

DIRECTORS' REPORT *(continued)***SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

During the financial year, the Company undertakes the following proposals:-

- i) proposed renounceable rights issue of 21,084,250 new ordinary shares of RM0.50 each in UDS (``Rights Shares``) together with 21,084,250 free detachable warrants at an issue price of RM0.80 per rights share on the basis of one (1) rights share with one (1) free warrant for every four (4) existing ordinary shares of RM0.50 each (``Shares``) held by the entitled shareholders of UDS at 5.00 p.m. on 3 October 2005 (``Rights Issue With Warrants``); and
- ii) proposed bonus issue of 21,084,250 new ordinary shares in UDS (``Bonus Shares``) on the basis of one (1) bonus share for every one (1) rights share subscribed by the entitled shareholders of UDS and/or their renounees pursuant to the rights issue with warrants (``Bonus Issue``). The proposed bonus issue will be effected by way of capitalising RM10,542,125 from the Company's revaluation account as at 31 August 2004.

On 2 December 2005, the Company has completed the above proposals.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 December 2005

Dato' Koh Low @ Koh Kim Toon

Director

Dato' Tan King Tai @ Tan Khoon Hai

Director

Muar

Date: 28 December 2005

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

STATEMENT BY DIRECTORS

We, the undersigned, being two of the directors of UDS Capital Berhad do hereby state that, in the opinion of the directors, the accompanying balance sheets, statements of income, of changes in equity and of cash flow together with the notes attached thereto are drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 August 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 December 2005

Dato' Koh Low @ Koh Kim Toon
Director

Dato' Tan King Tai @ Tan Khoon Hai
Director

Date: 28 December 2005

STATUTORY DECLARATION

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

Subscribed and solemnly declared)
by the abovenamed at Muar in the)
State of Johore on 28 December 2005)

Dato' Tan King Tai @ Tan Khoon Hai

Before me,

Hj. Salleh Bin Jamal
(No. J 120)
Commissioner for Oaths

REPORT OF THE AUDITORS

To The Members Of UDS CAPITAL BERHAD

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

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

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company at 31 August 2005 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

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

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

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

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

JOHN LIM & ASSOCIATES

A.F. No. 0393
Chartered Accountants

Date: 28 December 2005

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

LIM JOHN @ LIM WAN SHOW

1148/2/06(J)
Chartered Accountant

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

CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2005

	Note	2005 RM	2004 RM
PROPERTY, PLANT AND EQUIPMENT	4	36,120,817	34,482,654
INVESTMENT PROPERTIES	6	2,395,000	2,395,000
INTEREST IN ASSOCIATED COMPANY	7	1,930,524	152,383
OTHER INVESTMENTS	8	1,248,448	1,148,448
DEFERRED EXPENDITURE		208,569	21,552
CURRENT ASSETS			
Inventories	10	42,024,282	33,935,869
Trade receivables	11	19,349,456	19,452,816
Other receivables	12	8,726,630	10,330,848
Amount due by associated company	13	2,091,874	3,340,974
Tax recoverable		1,458,497	669,702
Fixed deposits with licensed banks	31(b)	4,863,601	3,880,043
Cash and bank balances		5,283,233	2,137,465
		83,797,573	73,747,717
CURRENT LIABILITIES			
Trade payables	14	8,729,397	8,356,424
Other payables	15	3,469,578	1,977,417
Dividend payable		5,904	-
Amounts due to directors	16	401,579	443,943
Tax payable		15,722	55,293
Borrowings	17	46,261,652	39,116,625
		58,883,832	49,949,702
Net current assets		24,913,741	23,798,015
NON-CURRENT AND DEFERRED LIABILITIES			
Hire purchase payables	18	(248,466)	(679,611)
Deferred taxation	19	(1,032,533)	(1,097,714)
Negative goodwill on consolidation	20	(6,903,396)	(7,766,320)
		(8,184,395)	(9,543,645)
Financed by:-		58,632,704	52,454,407
SHARE CAPITAL	21	42,168,500	40,000,000
RESERVES	22	16,423,413	12,413,457
		58,591,913	52,413,457
MINORITY INTEREST		40,791	40,950
		58,632,704	52,454,407

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2005

	Note	2005 RM	2004 RM
REVENUE	23	98,327,914	95,330,740
Cost of sales		(78,560,381)	(72,552,781)
GROSS PROFIT		19,767,533	22,777,959
OTHER OPERATING INCOME	24	1,872,528	2,246,855
		21,640,061	25,024,814
Administrative expenses		(10,654,722)	(9,397,988)
Selling and distribution expenses		(3,103,526)	(2,964,759)
PROFIT FROM OPERATIONS	25	7,881,813	12,662,067
Finance cost	26	(1,659,246)	(2,045,590)
Share of results of associated company		(145,859)	(45,549)
PROFIT BEFORE TAXATION		6,076,708	10,570,928
TAXATION	27	(1,511,255)	(2,053,045)
- Company and subsidiary companies		-	-
- share of taxation of associated company		-	-
PROFIT AFTER TAXATION		4,565,453	8,517,883
Minority interest		159	(78,293)
PRE-ACQUISITION PROFIT		4,565,612	8,439,590
		-	(1,828,386)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		4,565,612	6,611,204
EARNINGS PER SHARE (sen)	28		
- basic		5.5	11.8
- diluted		5.4	-
NET DIVIDENDS PER SHARE (sen)	29	1.8	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Issued and fully paid ordinary shares of RM0.50 each Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profit RM	Total RM
As at 01 September 2003		50,000	-	(50,704)	(704)
Issuance of shares:					
- acquisition of subsidiary companies		27,052,007	1,758,380	-	28,810,387
- rights issue		5,297,993	-	-	5,297,993
- public issue		7,600,000	5,776,000	-	13,376,000
Listing expenses written off against share premium		-	(1,681,423)	-	(1,681,423)
Net loss not recognised in the income statement		-	(1,681,423)	-	(1,681,423)
Net profit for the year		-	-	6,611,204	6,611,204
As at 31 August 2004		40,000,000	5,852,957	6,560,500	52,413,457
As at 01 September 2004		40,000,000	5,852,957	6,560,500	52,413,457
Issuance of shares pursuant to exercise of ESOS		2,168,500	997,510	-	3,166,010
Share issue expenses incurred		-	(35,100)	-	(35,100)
Net loss not recognised in the income statement		-	(35,100)	-	(35,100)
Dividend	29	-	-	(1,518,066)	(1,518,066)
Net profit for the year		-	-	4,565,612	4,565,612
As at 31 August 2005		42,168,500	6,815,367	9,608,046	58,591,913

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2005

	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,076,708	10,570,928
Adjustments for:		
Allowance for doubtful debts	364,946	105,736
Bad debts written off	315,555	156,471
Deposit forfeited	7,900	-
Depreciation	2,573,944	1,856,068
Expenditure on increase of authorised capital	10,000	1,020
Interest expenses	1,659,246	1,603,486
Loss on disposal of property, plant and equipment	122	27,822
Property, plant and equipment written off	56,273	37,762
Revaluation deficit on investment properties	-	163,914
Share of results of associated company	145,859	45,549
Unrealised foreign exchange loss	1,590	-
Creditation of negative goodwill on consolidation	(862,924)	(862,924)
Dividend income	(11,000)	(9,350)
Gain on disposal of investment property	-	(3,314)
Gain on disposal of property, plant and equipment	(239,310)	(169,939)
Gain on disposal of unquoted investment	-	(485,000)
Interest income	(209,604)	(243,587)
Pre-acquisition profit	-	(1,850,308)
Unrealised foreign exchange gain	(3,621)	(6,223)
Operating profit before working capital changes	9,885,684	10,938,111
Increase in inventories	(8,088,413)	(9,020,245)
Decrease in receivables	1,114,912	21,286,490
Increase/(decrease) in payables	1,870,111	(13,107,480)
(Decrease)/increase in amounts due to directors	(42,364)	396,690
Decrease/(increase) in amount due by associated company	1,249,100	(3,340,974)
Cash generated from operations	5,989,030	7,152,592
Deferred expenditure incurred	(187,017)	(21,552)
Expenditure on increase of authorised capital paid	(10,000)	(1,020)
Listing expenses incurred	-	(1,681,423)
Income tax paid	(2,359,936)	(1,515,428)
Real Property Gains Tax paid	(41,786)	-
Interest paid	(1,659,246)	(1,603,486)
Net cash from operating activities	1,731,045	2,329,683

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2005 *(continued)*

	Note	2005 RM	2004 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investment in associated company		(1,924,000)	(200,400)
Purchase of quoted investments	30(b)	(100,000)	(422,500)
Cash flow from acquisition of subsidiary companies		-	(17,203,058)
Purchase of property, plant and equipment	31(a)	(5,493,867)	(2,500,069)
Dividend received		7,920	8,762
Proceeds from disposal of investment properties		-	320,000
Proceeds from disposal of property, plant and equipment		1,967,475	753,401
Proceeds from disposal of unquoted investment		-	1,700,000
		<hr/>	<hr/>
Net cash used in investing activities		(5,542,472)	(17,543,864)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of term loan		-	190,000
Proceeds from issuance of shares		-	18,673,993
Share issue expenses incurred		(35,100)	-
Short term borrowings		6,640,358	9,165,544
Repayment of term loans		-	(7,356,055)
Repayment of hire purchase payables		(1,204,211)	(1,289,757)
Proceeds from exercise of ESOS		3,166,010	-
Withdrawal of fixed deposits		881,316	-
Placement of fixed deposits		(1,605,234)	(3,829,788)
Interest received		110,923	243,587
Dividend paid		(1,518,066)	-
		<hr/>	<hr/>
Net cash from financing activities		6,435,996	15,797,524
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		2,624,569	583,343
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		583,879	536
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	31(b)	3,208,448	583,879

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

BALANCE SHEET

AS AT 31 AUGUST 2005

	Note	2005 RM	2004 RM
	4	9,267	10,347
PROPERTY, PLANT AND EQUIPMENT	5	49,191,992	49,191,992
INVESTMENT IN SUBSIDIARY COMPANIES	8	420,000	420,000
OTHER INVESTMENT		208,569	21,552
DEFERRED EXPENDITURE	9	13,286,868	9,960,422
AMOUNTS DUE BY SUBSIDIARY COMPANIES			
CURRENT ASSETS	12	1,000	1,000
Deposit		6,205	-
Tax recoverable		187,466	24,933
Cash and bank balances		194,671	25,933
CURRENT LIABILITIES	15	39,536	27,864
Other payables		5,904	-
Dividend payable	16	80,000	80,000
Amounts due to directors		-	5,372
Tax payable		125,440	113,236
Net current assets/(liabilities)		69,231	(87,303)
		63,185,927	59,517,010
Financed by:			
SHARE CAPITAL	21	42,168,500	40,000,000
RESERVES	22	21,017,427	19,517,010
		63,185,927	59,517,010

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2005

	Note	2005 RM	2004 RM
REVENUE	23	3,148,386	3,292,683
OTHER OPERATING INCOME	24	<u>216</u>	<u>-</u>
		3,148,602	3,292,683
Administrative expenses		<u>(218,034)</u>	<u>(179,247)</u>
PROFIT BEFORE TAXATION	25	2,930,568	3,113,436
TAXATION	27	<u>(874,495)</u>	<u>(915,566)</u>
NET PROFIT FOR THE YEAR		<u>2,056,073</u>	<u>2,197,870</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Issued and fully paid ordinary shares of RM0.50 each Share Capital RM	Non-distributable Share Premium RM	Revaluation Reserve RM	Distributable Retained Profit RM	Total RM
As at 01 September 2003		50,000	-	-	(50,704)	(704)
Issuance of shares:						
- acquisition of subsidiary companies		27,052,007	1,758,380	-	-	28,810,387
- rights issue		5,297,993	-	-	-	5,297,993
- public issue		7,600,000	5,776,000	-	-	13,376,000
Surplus on revaluation of investment in subsidiary companies	5	-	-	11,516,887	-	11,516,887
Listing expenses written off against share premium		-	(1,681,423)	-	-	(1,681,423)
Net loss not recognised in the income statement		-	(1,681,423)	-	-	(1,681,423)
Net profit for the year		-	-	-	2,197,870	2,197,870
As at 31 August 2004		<u>40,000,000</u>	<u>5,852,957</u>	<u>11,516,887</u>	<u>2,147,166</u>	<u>59,517,010</u>
As at 01 September 2004		40,000,000	5,852,957	11,516,887	2,147,166	59,517,010
Issuance of shares pursuant to exercise of ESOS		2,168,500	997,510	-	-	3,166,010
Share issue expenses incurred		-	(35,100)	-	-	(35,100)
Net loss not recognised in the income statement		-	(35,100)	-	-	(35,100)
Dividend	29	-	-	-	(1,518,066)	(1,518,066)
Net profit for the year		-	-	-	2,056,073	2,056,073
As at 31 August 2005		<u>42,168,500</u>	<u>6,815,367</u>	<u>11,516,887</u>	<u>2,685,173</u>	<u>63,185,927</u>

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2005

	Note	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,930,568	3,113,436
Adjustments for:			
Depreciation		1,080	450
Dividend income		(3,140,000)	(3,250,693)
Expenditure on increase of authorised capital		10,000	-
Interest income		(8,386)	(41,990)
Operating loss before working capital changes		(206,738)	(178,797)
Decrease in receivables		-	649,649
Increase/(decrease) in payables		11,672	(624,025)
Increase in directors' current accounts		-	80,000
Cash used in operations		(195,066)	(73,173)
Deferred expenditure incurred		(187,017)	(21,552)
Expenditure on increase of authorised capital paid		(10,000)	-
Income tax paid		(6,872)	-
Dividend received from subsidiary companies		2,260,800	2,340,499
Interest received		8,386	41,990
Listing expenses incurred		-	(1,681,423)
Net cash from operating activities		1,870,231	606,341
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary companies	30(a)	-	(8,864,718)
Increase in amounts due by subsidiary companies		(3,326,446)	(9,960,422)
Investment in unquoted shares		-	(420,000)
Purchase of property, plant and equipment	31(a)	-	(10,797)
Net cash used in investing activities		(3,326,446)	(19,255,937)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses incurred		(35,100)	-
Proceeds from exercise of ESOS		3,166,010	-
Proceeds from rights issue		-	5,297,993
Proceeds from public issue		-	13,376,000
Dividend paid		(1,518,066)	-
Net cash from financing activities		1,612,844	18,673,993
NET INCREASE IN CASH AND CASH EQUIVALENTS		156,629	24,397
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		24,933	536
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	31(b)	181,562	24,933

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005

1. GENERAL

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are as set out in note 5 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company except that a subsidiary company ventured into manufacturing of polyethylene foam during the financial year.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year.

a) Accounting basis

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

b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. 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. Subsidiary companies are consolidated using acquisition method of consolidation.

Under the acquisition method of accounting, the difference between the purchase consideration over the sum of the fair value of the identifiable net assets of the subsidiary companies at the date of acquisition is included in the consolidated financial statements as goodwill/negative goodwill arising on consolidation. The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

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 cost cannot be recovered. 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 any unamortised balance of goodwill which were not previously recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS -31 AUGUST 2005 (*continued*)**3. SIGNIFICANT ACCOUNTING POLICIES** (*continued*)**c) Associated company**

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

Equity accounting involves recognising in the consolidated income statement the Group's share of the results of associated company for the period. The Group's investment in associated company is carried in the balance sheet at an amount that reflects its share of the net assets of the associated company and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

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

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

d) Goodwill or negative goodwill

Goodwill or negative goodwill represents the difference between the purchase consideration 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 is stated at cost less accumulated amortisation and impairment losses. Goodwill/negative goodwill is amortised/credited systematically over the period of time during which the benefits are expected to arise. However, the period of allocation does not exceed ten (10) years.

The carrying amount of goodwill is reviewed annually and is written down immediately where it is considered necessary.

Negative goodwill is presented in the same balance sheet classification as goodwill.

e) Investments

Investment in subsidiary companies, which are eliminated on consolidation, are stated at valuation in the Company's financial statements. The investment in subsidiary companies are revalued at regular intervals of at least once in every five years by the directors based on the net tangible assets value of the subsidiary companies with additional valuation in the intervening years where the market conditions indicate that the carrying values of the revalued assets differ materially from the underlying net tangible assets value of the subsidiary companies, or where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investment in associated company and unquoted shares are shown at cost less impairment losses. Where there is an indication of impairment in the value of the investments, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**e) Investments (continued)**

Investment in quoted shares is carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to income statement, other than a temporary decline. On disposal of marketable securities, the difference between net disposal proceeds and its carrying amount is charged or credited to income statement.

f) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

A freehold land of the Group had 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.

Gain or loss arising from the disposal of an item of property, plant and equipment is determined by the difference between the net disposal proceeds and its carrying amount and is credited or charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

g) Depreciation

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

No depreciation is provided on building under construction until it is ready for its intended use.

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

The annual rates in use are as follows:-

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

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

NOTES TO THE FINANCIAL STATEMENTS -31 AUGUST 2005 (*continued*)**3. SIGNIFICANT ACCOUNTING POLICIES** (*continued*)**h) Investment properties**

Investment properties consist of investment in freehold land, condominium and warehouse and long leasehold land that are not substantially occupied for use or in the operations of the Group and are held for long term purposes for their investment potential and rental revenue. Investment properties are stated at valuation. Revaluations are based on valuation by an independent valuer at least once every five years.

Increases in the carrying amount of the asset are credited to revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve, all other decreases are charged to income statements. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to income statements, any amount in revaluation reserve relating to that investment property is transferred to retained earnings.

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. In arriving at net realisable value, due allowances are made for all obsolete and slow-moving items.

j) Receivables

Trade and other receivables are stated at cost less allowances for doubtful debts.

Known bad debts are written off while allowance for doubtful debts is made for debts considered to be doubtful of collection.

k) Liabilities

Trade and other payables are stated at cost.

l) Hire purchase

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

NOTES TO THE FINANCIAL STATEMENTS -31 AUGUST 2005 *(continued)***3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*****m) Income tax**

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

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

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

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

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

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

n) Provisions

Provisions are recognised when the Group and the Company have present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

o) Dividends

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

p) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

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

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

NOTES TO THE FINANCIAL STATEMENTS -31 AUGUST 2005 *(continued)***3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*****q) Currency translations**

Foreign currency transactions are converted into Malaysian Ringgit at the rates of exchange approximating those ruling at the transaction dates and where settlement had not taken place at the balance sheet date, at the approximate rates ruling at that date. Exchange gains and losses are dealt through the income statements.

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

	2005 RM	2004 RM
1 Euro Dollar	4.612	5.17
1 Pound Sterling	6.767	-
1 United States Dollar	3.769	3.800
1 Singapore Dollar	2.244	2.217
1 New Taiwan Dollar	0.115	-
1 China Renminbi	0.466	-

r) Employee benefits**i) Short term employee benefits**

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

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

ii) Post-employment benefits

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

iii) Equity compensation benefits

Details of the Group's Employees' Share Option Scheme are set out in note 21 (iii) to the financial statements. The Group does not make a charge to the income statements in connection with share options granted. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

s) Revenue recognition

i) Revenue from sale of goods or services are recognised in the income statements upon delivery of goods or performance of services rendered.

ii) Dividend income from investment in subsidiary companies is recognised when the Company's right to receive payment is established.

iii) Interest and rental income are recognised in the income statement on accrual basis.

NOTES TO THE FINANCIAL STATEMENTS -31 AUGUST 2005 (*continued*)**3. SIGNIFICANT ACCOUNTING POLICIES** (*continued*)**t) Financial instruments****Recognised and unrecognised**

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

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. These instruments are offset when the Group and the Company have legally enforceable rights to offset and intent to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Unrecognised financial instruments of the Group consist of forward exchange contracts which are used to hedge the exposure to currency risk. These derivative financial instruments are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any gain or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions. The Group does not have any unrecognised financial instruments other than those that may arise as disclosed in note 39(a) to the financial statements.

Fair values

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 fair value of forward foreign exchange contracts is determined using forward exchange market rate at the balance sheet date.

u) Impairment of assets

At each balance sheet date, the Group and the Company review the carrying amounts of its assets, other than inventories and receivables, to determine whether there is any indication of impairment. If such indication of impairment exists, the recoverable amount of the assets is determined and the carrying amount of the assets is written down immediately to its recoverable amount. Impairment loss is charged to income statements. Any reversal of an impairment loss will be immediately recognised as income.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

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

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

NOTES TO THE FINANCIAL STATEMENTS -31 AUGUST 2005 *(continued)***3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*****v) Deferred expenditure**

Deferred expenditure, which relates to the expenditure incurred in respect of the ESOS, is written off against share premium.

Deferred expenditure, which relates to the expenditure incurred in respect of transfer listing to Main Board of the Bursa Malaysia Securities Berhad and the proposed rights issue and bonus issue as mentioned in note 36 to the financial statements, is stated at cost and will be set-off against share premium upon implementation.

w) Segment information

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

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

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

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

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

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

x) 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.

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

4. PROPERTY, PLANT AND EQUIPMENT**Group**

	Net book value as at 01.09.2004 RM	Additions RM	Reclassi- -fication	Disposals RM	Write-offs RM	Depre- -ciation RM	Net book value as at 31.08.2005 RM
Air- conditioners	9,826	-	-	-	-	(1,417)	8,409
Building under construction	494,300	643,950	(538,549)	-	-	-	599,701
Computers	77,817	20,644	-	-	-	(29,781)	68,680
Electrical installation	600,687	212,217	-	-	-	(53,149)	759,755
Freehold buildings	7,456,850	700,000	538,549	-	-	(184,272)	8,511,127
Freehold land	7,428,662	869,567	-	(1,581,070)	-	-	6,717,159
Furniture and fittings	617,429	195,597	-	-	-	(75,253)	737,773
Long leasehold buildings	7,922,587	1,242,819	-	-	-	(175,967)	8,989,439
Long leasehold land	2,121,903	325,000	-	-	-	(24,706)	2,422,197
Motor vehicles	1,977,184	1,027,823	-	(145,100)	(55,917)	(745,822)	2,058,168
Office equipment	369,249	192,064	-	(397)	(356)	(75,729)	484,831
Plant, machinery and equipment	5,264,576	397,964	-	(1,720)	-	(1,127,120)	4,533,700
Renovation	112,708	169,022	-	-	-	(77,435)	204,295
Signboard	22,470	-	-	-	-	(3,157)	19,313
Store	6,406	-	-	-	-	(136)	6,270
	34,482,654	5,996,667	(-)	(1,728,287)	(56,273)	(2,573,944)	36,120,817

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Cost/ valuation RM	Accumulated depreciation RM	Net book value RM
At 31.08.2005			
Stated at cost			
Air-conditioners	14,170	(5,761)	8,409
Building under construction	599,701	-	599,701
Computers	204,822	(136,142)	68,680
Electrical installation	960,837	(201,082)	759,755
Freehold buildings	9,260,708	(749,581)	8,511,127
Freehold land	5,645,554	-	5,645,554
Furniture and fittings	979,628	(241,855)	737,773
Long leasehold buildings	9,646,973	(657,534)	8,989,439
Long leasehold land	2,534,948	(112,751)	2,422,197
Motor vehicles	5,851,193	(3,793,025)	2,058,168
Office equipment	889,308	(404,477)	484,831
Plant, machinery and equipment	11,368,561	(6,834,861)	4,533,700
Renovation	408,319	(204,024)	204,295
Signboard	31,567	(12,254)	19,313
Store	6,808	(538)	6,270
	48,403,097	(13,353,885)	35,049,212
Stated at valuation			
Freehold land	1,071,605	-	1,071,605
	49,474,702	(13,353,885)	36,120,817
At 31.08.2004			
Stated at cost			
Air-conditioners	14,170	(4,344)	9,826
Building under construction	494,300	-	494,300
Computers	184,178	(106,361)	77,817
Electrical installation	748,620	(147,933)	600,687
Freehold buildings	8,022,159	(565,309)	7,456,850
Freehold land	6,357,057	-	6,357,057
Furniture and fittings	784,031	(166,602)	617,429
Long leasehold buildings	8,404,154	(481,567)	7,922,587
Long leasehold land	2,209,948	(88,045)	2,121,903
Motor vehicles	5,214,308	(3,237,124)	1,977,184
Office equipment	699,854	(330,605)	369,249
Plant, machinery and equipment	10,972,997	(5,708,421)	5,264,576
Renovation	239,297	(126,589)	112,708
Signboard	31,567	(9,097)	22,470
Store	6,808	(402)	6,406
	44,383,448	(10,972,399)	33,411,049
Stated at valuation			
Freehold land	1,071,605	-	1,071,605
	45,455,053	(10,972,399)	34,482,654

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

4. PROPERTY, PLANT AND EQUIPMENT (continued)	As at 31.08.2005 RM	As at 31.08.2004 RM
Net book value		
a) Property, plant and equipment acquired by hire purchase plan:-		
Motor vehicles	1,437,524	1,577,780
Plant, machinery and equipment\	641,087	1,365,471
b) Property, plant and equipment pledged for banking facilities granted to subsidiary companies:-	<u>2,078,611</u>	<u>2,943,251</u>
Freehold building	3,251,100	3,319,625
Freehold land	2,745,400	5,911,587
Long leasehold buildings	8,118,814	7,922,587
Long leasehold land	2,098,089	2,121,903
	<u>16,213,403</u>	<u>19,275,702</u>
c) Motor vehicle registered in the name of a director and held in trust on behalf of a subsidiary company	-	21,997
d) Fully depreciated property, plant and equipment at a total cost of RM5,108,632 (2004 - RM3,688,644) are still in use.		
e) The title deed of a long leasehold land and building with net book value of RM1,194,732 (2004 - Nil) is in the midst of being transferred to the name of a subsidiary company.		
f) One subsidiary company's freehold land was valued by the directors based on professional appraisals by an independent valuer using open market values.		

Had the revalued land been carried at historical cost, the net book value of the land that would have been included in the financial statements of the Group as at 31 August 2005 would be RM496,386 (2004 - RM571,282).

Company	Net book value as at 01.09.2004 RM	Depreciation RM	Net book value as at 31.08.2005 RM
Signboard	10,347	(1,080)	9,267
At 31.08.2005	Cost RM	Accumulated depreciation RM	Net book value RM
Signboard	10,797	(1,530)	9,267
At 31.08.2004	Cost RM	Accumulated depreciation RM	Net book value RM
Signboard	10,797	(450)	10,347

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2005 RM	2004 RM
Unquoted shares, at 2004 valuation	49,191,992	49,191,992

The investment in subsidiary companies were revalued by the directors based on the net tangible assets value of the subsidiary companies as of 31 August 2004. The surplus arose from the revaluation amounted to RM11,516,887 had been credited to revaluation reserve account.

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

Name	Principal activities	Percentage holding	
		(%) 2005	(%) 2004
Syarikat U.D. Trading Sdn. Bhd.	Furniture, plywood, small hardware, parts and equipment dealings	100.00	100.00
U.D. Industries Sdn. Bhd.	Staples, nails and polyethylene foam manufacturing	99.42	99.42
U.D. Panelform Sdn. Bhd.	Furniture manufacturing and lamination	100.00	100.00
Sin Wee Seng Industries Sdn. Bhd.*	Seatee and sofa manufacturing	100.00	100.00
Subsidiary companies of U.D. Panelform Sdn. Bhd.			
U.D. Wood Products Sdn. Bhd.	Wooden furniture manufacturing and sub-contracting services	100.00	100.00
Evergreen Trend Sdn. Bhd.	Property investment	100.00	100.00
Subsidiary companies of Sin Wee Seng Industries Sdn. Bhd.			
Starlight Industry Sdn. Bhd.*	Property investment	100.00	100.00
Oriena Industry Sdn. Bhd.*	Property investment	100.00	100.00

* Not audited by John Lim & Associates

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

6. INVESTMENT PROPERTIES

	2005 RM	Group 2004 RM
At valuation		
- Freehold warehouse	670,000	670,000
- Freehold land	910,000	910,000
- Freehold condominium	180,000	180,000
- Long leasehold land	635,000	635,000
	<u>2,395,000</u>	<u>2,395,000</u>

Long leasehold land, freehold land and warehouse with aggregate carrying amount of RM1,694,630 (2004 - RM1,694,630) are charged as securities for banking facilities granted to subsidiary companies.

Long leasehold land with carrying amount of RM250,370 (2004 - RM250,370) is in the midst of being transferred to the name of a subsidiary company.

The investment properties were revalued in August 2004 by the directors based on valuation carried out by an independent professional valuer on an open market value basis on 05 November 2004 and 08 December 2004.

7. INTEREST IN ASSOCIATED COMPANY

	2005 RM	Group 2004 RM
Unquoted shares, at cost	2,164,500	240,500
Share of post-acquisition loss	(233,976)	(88,117)
	<u>1,930,524</u>	<u>152,383</u>
Represented by:		
Share of associated company' s net assets	<u>1,930,524</u>	<u>152,383</u>

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

Name	Percentage holding %	Principal activity
Dimensi Alam Sdn. Bhd.	48.10	Property investment

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

8. OTHER INVESTMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Quoted shares in Malaysia, at cost				
Unquoted shares, at cost	823,448	723,448	-	-
	425,000	425,000	420,000	420,000
	1,248,448	1,148,448	420,000	420,000
Market value of quoted shares				
	649,850	423,650	-	-

No allowance for diminution in value of investments has been made as the directors are of the opinion that no permanent diminution has occurred in the value of the investments which are held for long term purpose.

9. AMOUNTS DUE BY SUBSIDIARY COMPANIES**Company**

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

10. INVENTORIES

	Group	
	2005 RM	2004 RM
Inventories stated at cost:-		
Trading merchandise	14,016,738	11,831,993
Finished goods	1,654,141	5,474,916
Work-in-progress	4,120,029	3,151,795
Raw material	17,760,806	12,587,132
Consumables	37,930	54,925
	37,589,644	33,100,761
Inventories stated at net realisable value:-		
	655,020	835,108
Trading merchandise	3,779,618	-
Finished goods	4,434,638	835,108
	42,024,282	33,935,869

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

11. TRADE RECEIVABLES

	Group	
	2005 RM	2004 RM
Trade receivables	19,818,387	19,558,552
Less:		
Allowance for doubtful debts	468,931	105,736
	19,349,456	19,452,816

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

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

	Group	
	2005 RM	2004 RM
Singapore Dollar	50,508	110,306
United States Dollar	1,942,899	1,876,510
	1,993,407	1,986,816

12. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sundry receivables	7,463,634	6,744,049	-	-
Amount due by purchaser of property	709,824	2,211,250	-	-
Deposits, prepayments and receivables	554,923	1,085,549	1,000	1,000
Share application money in unquoted shares pending allotment	-	290,000	-	-
	8,728,381	10,330,848	1,000	1,000
Less:				
Allowance for doubtful debt	1,751	-	-	-
	8,726,630	10,330,848	1,000	1,000

The amount due by purchaser of property and advances made amounted to RM2,364,994 for the year 2004 borne interest at a rate of 8.0% per annum and had no fixed term of repayment.

The foreign currency exposure of sundry receivables is in United States Dollar of RM81,153 (2004 - Nil).

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

13. AMOUNT DUE BY ASSOCIATED COMPANY**Group**

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

14. TRADE PAYABLES

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

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

	Group	
	2005 RM	2004 RM
United States Dollar	923,654	418,019
New Taiwan Dollar	60,652	-
Euro Dollar	111,526	-
	<u>111,526</u>	<u>-</u>

15. OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sundry payables	2,681,265	1,256,507	27,945	15,692
Payroll liabilities	195,789	115,692	-	-
Deposits received and accruals	592,524	605,218	11,591	12,172
	<u>3,469,578</u>	<u>1,977,417</u>	<u>39,536</u>	<u>27,864</u>

Included in sundry payables is an amount of RM1,080,000 (2004 - Nil), being the balance of purchase price for the acquisition of long leasehold land and building.

The foreign currency exposure of sundry payables is in United States Dollar of RM15,280 (2004 - Nil).

16. AMOUNTS DUE TO DIRECTORS**Group and Company**

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

17. BORROWINGS

	Group	
	2005 RM	2004 RM
Bank overdrafts	2,328,521	1,553,586
Bankers acceptances	41,935,000	33,727,000
Hire purchase payables (note 18)	790,924	1,061,190
Trust receipts	1,207,207	2,695,671
Letters of credit	-	79,178
	46,261,652	39,116,625

The bank overdrafts and trust receipts bear interest at average rates ranging from 7.50% to 8.00% (2004 - 6.89% to 8.30%) per annum.

The bankers acceptances and letter of credits bear interest at average rates ranging from 3.10% to 4.70% (2004 - 3.75% to 4.95%) per annum.

The bank borrowings of the Group are secured by:-

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

18. HIRE PURCHASE PAYABLES

	Group	
	2005 RM	2004 RM
Due within one year	847,238	1,154,128
Less:		
Undue interest	56,314	92,938
	790,924	1,061,190
Due after one year	260,185	732,175
Less:		
Undue interest	11,719	52,564
	248,466	679,611

The hire purchase payables bear interest at flat rates ranging from 2.56% to 7.50% (2004 - 3.20% to 7.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

19. DEFERRED TAXATION

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

	Group	
	2005 RM	2004 RM
At 01 September/Acquisition of subsidiary companies	1,097,714	847,967
Transfer (to)/from income statement (note 27(b))		
- current year provision	(24,803)	259,077
- effect on opening deferred tax resulting from a reduction in income tax rate	(40,378)	(9,330)
	<u>(65,181)</u>	<u>249,747</u>
At 31 August	<u>1,032,533</u>	<u>1,097,714</u>

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

	2005 RM	2004 RM
Deferred tax assets:-		
At 01 September/Acquisition of subsidiary companies	197,212	-
Recognised in the income statement	72,621	197,212
At 31 August	<u>269,833</u>	<u>197,212</u>
Deferred tax liabilities:-		
At 01 September/Acquisition of subsidiary companies	1,294,926	847,967
Recognised in the income statement		
- excess of property, plant and equipment's net book value over their tax written down value	7,440	446,959
At 31 August	<u>1,302,366</u>	<u>1,294,926</u>

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

	2005 RM	2004 RM
Deferred tax assets:-		
Revaluation deficit on investment properties	8,196	8,196
General provisions	102,609	29,606
Others	159,028	159,410
At 31 August	<u>269,833</u>	<u>197,212</u>
Deferred tax liabilities:-		
Excess of property, plant and equipment's net book value over their tax written down value	1,237,866	1,230,426
Revaluation reserve	64,500	64,500
At 31 August	<u>1,302,366</u>	<u>1,294,926</u>

d) The Group has unutilised reinvestment allowances of approximately RM2.79 million (2004 - RM2.4 million) available at year end against which no future income tax benefits have been taken up.

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

20. NEGATIVE GOODWILL ON CONSOLIDATION

	2005 RM	Group 2004 RM
Negative goodwill - Arising from acquisition of subsidiary companies	8,629,244	8,629,244
Less: - Aggregate amount credited	1,725,848	862,924
At 31 August	<u>6,903,396</u>	<u>7,766,320</u>

Negative goodwill on consolidation is credited over a period of ten years

21. SHARE CAPITAL

i) The movements in the authorised share capital of the Company are as follows:-

Company	2005			2004		
	Par value RM	Number of shares	Share capital RM	Par value RM	Number of shares	Share capital RM
At 01 September	0.50	100,000,000	50,000,000	1.00	50,000,000	50,000,000
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.50 each	-	-	-	-	50,000,000	-
Created during the year	0.50	100,000,000	50,000,000	-	-	-
At 31 August	<u>0.50</u>	<u>200,000,000</u>	<u>100,000,000</u>	0.50	<u>100,000,000</u>	<u>50,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

21. SHARE CAPITAL (continued)

ii) The movements in the issued and paid-up share capital of the Company are as follows:-

Company	Par value RM	2005		Par value RM	2004	
		Number of shares	Share capital RM		Number of shares	Share capital RM
At						
01 September	0.50	80,000,000	40,000,000	1.00	50,000	50,000
Allotment of shares for the acquisition of subsidiary companies		-	-		27,052,007	27,052,007
Rights Issue		-	-		5,297,993	5,297,993
		<u>80,000,000</u>	<u>40,000,000</u>		<u>32,400,000</u>	<u>32,400,000</u>
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.50 each	-	-	-	-	32,400,000	-
		<u>80,000,000</u>	<u>40,000,000</u>		<u>64,800,000</u>	<u>32,400,000</u>
Public Issue		-	-		15,200,000	7,600,000
Exercise of ESOS		4,337,000	2,168,500		-	-
At 31 August	0.50	<u>84,337,000</u>	<u>42,168,500</u>	0.50	<u>80,000,000</u>	<u>40,000,000</u>

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

iii) EMPLOYEES' SHARE OPTION SCHEME (ESOS)

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

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

- (a) The maximum number of new UDS shares which may be subscribed on the exercise of options granted under the ESOS shall not exceed fifteen per centum (15%) of the issued and paid-up share capital of the Company or such maximum percentages as allowable by any relevant authorities at any point of time during the existence of the ESOS.

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

21. SHARE CAPITAL (continued)**iii) EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)**

(b) Any employee including any director of the Group shall be eligible to participate in the ESOS if, as at the Date of Offer, the employee:-

- (i) is at least eighteen (18) years of age or above;
- (ii) in respect of an employee (including Executive Director) is confirmed and employed full-time by and on the payroll of any company in the Group; and
- (iii) in respect of a Non-Executive Director, is a member of the board of directors of a company(ies) comprised in the Group;

hereinafter known as "Eligible Employees".

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

- (i) not more than fifty per centum (50%) (or such percentage as allowable by the relevant authorities) of the shares available under the ESOS should be allocated, in aggregate, to directors and senior management of the Group; and
- (ii) not more than ten per centum (10%) (or such percentage as allowable by the relevant authorities) of the shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through person connected with the director or employee (as defined in the Listing Requirements), holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company;

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

21. SHARE CAPITAL (continued)**iii) EMPLOYEES' SHARE OPTION SCHEME (ESOS) (continued)**

- (d) The ESOS take effect 26 August 2004 and continue to be in force for a period of five (5) calendar years from its effective date. However, the ESOS may at the discretion of the Option Committee, be extended or renewed (as the case may be) provided always that the initial ESOS period stipulated above and such extension of ESOS made pursuant to this By-Laws shall not in aggregate exceed a duration of ten (10) years. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be).
- (e) The price at which the grantee is entitled to subscribe for each of the new UDS share shall be fixed based on the 5-day weighted average market price of the UDS shares, as quoted on the Bursa Securities, at the Date of Offer with a discount of not more than ten per centum (10%), if deemed appropriate, or such lower or higher limit in accordance with any prevailing guidelines issued by the Bursa Securities or any other relevant authorities as amended from time to time, or at the par value of each of the share of the Company, whichever is higher.
- (f) An Offer made by the Option Committee to an Eligible Employee shall be valid for a period of fourteen (14) calendar days from the Date of Offer and shall be accepted within this prescribed period by the Eligible Employee to whom the Offer is made by a written notice to the Option Committee in such form as may be prescribed by the Option Committee of such acceptance accompanied by a payment to the Company of a non-refundable cash consideration of RM1.00 only for the grant of the Option. The day of receipt of such written notice shall constitute the date of acceptance.
- (g) The new shares to be allotted and issued upon exercise of any Option shall upon allotment, rank pari passu in all respects with the existing issued and paid-up ordinary shares of the Company, except that the new shares so allotted shall not be entitled to any dividend, rights, allotment or other distribution unless the shares so allotted have been credited into the relevant securities accounts maintained by the Bursa Malaysia Depository Sdn. Bhd. before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission or otherwise of the shares of the Company.

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

Date granted	Expiry date	Exercise price per share RM	Number of unissued ordinary shares under ESOS			
			At 01.09.2004	Granted	Exercised	At 31.08.2005
13.09.2004	12.09.2009	0.73	-	8,316,000	4,337,000	3,979,000

Details of share options exercised during the financial year are as follows:-

Exercised date	Exercise price per share RM	Number of share options exercised	Consideration received RM
25.10.2004	0.73	1,817,000	1,326,410
06.01.2005	0.73	2,520,000	1,839,600
		<u>4,337,000</u>	<u>3,166,010</u>
Less: Par value of ordinary shares			<u>2,168,500</u>
Share premium			<u>997,510</u>

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

22. RESERVES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable reserves:				
Share premium	6,815,367	5,852,957	6,815,367	5,852,957
Revaluation reserve	-	-	11,516,887	11,516,887
	6,815,367	5,852,957	18,332,254	17,369,844
Distributable reserve:				
Retained profit	9,608,046	6,560,500	2,685,173	2,147,166
	16,423,413	12,413,457	21,017,427	19,517,010

Share premium

Share premium arose from the following:

	Group and Company	
	2005 RM	2004 RM
Issue of 27,052,007 new ordinary shares of RM1.00 each at RM1.07 per share in 2004	1,758,380	1,758,380
Public issue of 15,200,000 new ordinary shares of RM0.50 each at RM0.88 per share	5,776,000	5,776,000
Exercise of ESOS of 4,337,000 ordinary shares of RM0.50 each at RM0.73 per share	997,510	-
Less:		
Listing expenses incurred	(1,681,423)	(1,681,423)
Share issue expenses incurred	(35,100)	-
	6,815,367	5,852,957

Revaluation reserve

The revaluation reserve is used to record increases and decreases in revaluation of non-current assets, as described in the accounting policies. This amount arose from the revaluation of investment in subsidiary companies as disclosed in note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

22. RESERVES (continued)**Group**

The subsidiary companies have sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of their retained profits of approximately RM31.8 million (2004 - RM27.3 million).

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

- (i) under Schedule 7A of the Income Tax Act, 1967 relating to reinvestment allowances of approximately RM6.1 million (2004 - RM6.0 million);
- (ii) under Section 12 of the Income Tax (Amendment) Act, 1999 of approximately RM3.6 million (2004 - RM3.6 million); and
- (iii) under Section 7(3) of the Promotion of Investment Act, 1986 of approximately RM3.2 million (2004 - RM3.1 million).

Company

The Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its retained profit of approximately RM2.35 million (2004 - Nil).

23. REVENUE

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Sales of goods and lamination charges	98,319,528	95,288,750	-	-
Dividend income	-	-	3,140,000	3,250,693
Interest income	8,386	41,990	8,386	41,990
	98,327,914	95,330,740	3,148,386	3,292,683

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

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

24. OTHER OPERATING INCOME

Other operating income comprise the followings:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Bad debts recovered	22,560	9,337	-	-
Dividend from quoted investments	11,000	18,600	-	-
Foreign exchange gain			-	
- realised	15,019	6,385	-	-
- unrealised	3,621	5,809	-	-
Gain on disposal of property, plant and equipment	239,310	169,939	-	-
Gain on disposal of investment property	-	3,314	-	-
Gain on disposal of quoted investments	-	95,339	-	-
Gain on disposal of unquoted investment	-	485,000	-	-
Haulage charges received	25	2,610	-	-
Insurance claim	287,069	-	-	-
Interest income	209,604	245,807	-	-
Lease of land	2,500	1,000	-	-
Negative goodwill credited	862,924	862,924	-	-
Rental income	137,850	115,900	-	-
Sundry revenue	81,046	224,891	216	-
	1,872,528	2,246,855	216	-

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

25. PROFIT FROM OPERATIONS

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

a)	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Allowance for doubtful debts	364,946	105,736	-	-
Auditors' remuneration:				
- current - Company's auditors	41,000	46,500	6,000	6,000
- others auditors	14,200	12,500	-	-
- overprovision - Company's auditors	(4,000)	-	-	-
Bad debts written off	315,555	158,381	-	-
Deposit forfeited	7,900	-	-	-
Depreciation	2,573,944	2,416,360	1,080	450
Expenditure on increase of authorised capital	10,000	1,020	10,000	-
Foreign exchange loss:				
- unrealised	1,590	93,592	-	-
- realised	81,313	-	-	-
Gratuity paid to a former director	800,000	-	-	-
Hiring of machinery and equipment	1,100	4,660	-	-
Hiring of vehicles	37,002	32,800	-	-
Loss on disposal of property, plant and equipment	122	27,822	-	-
Property, plant and equipment written off	56,273	37,762	-	-
Rental of				
- hostel	36,600	33,660	-	-
- office equipment	8,269	6,034	-	-
- premises	75,500	151,925	-	-
- showroom	4,455	69,145	-	-
Revaluation deficit on investment properties	-	163,914	-	-
b) Directors' remuneration				
i) Directors of the Company				
Executive:				
Salaries and other emoluments	893,000	810,000	-	-
Fees	125,000	118,000	50,000	50,000
Defined contribution retirement plan	73,800	63,840	-	-
Benefit-in-kind	123,756	22,752	69,185	-
Other related cost	1,341	1,772	-	-
	1,216,897	1,016,364	119,185	50,000
Non-Executive:				
Fees	30,000	30,000	30,000	30,000
	1,246,897	1,046,364	149,185	80,000

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

25. PROFIT FROM OPERATIONS (continued)

ii) Directors of the subsidiary companies

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Executive:				
Salary	47,769	9,000	-	-
Fees	20,000	-	-	-
Defined contribution retirement plan	5,736	-	-	-
Benefit-in-kind	30,172	1,625	-	-
	103,677	10,625	-	-

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

	Number of directors	
	2005	2004
Executive directors of the Company		
- Below RM50,000	1	2
- RM50,001 - RM100,000	-	1
- RM100,001 - RM150,000	-	-
- RM150,001 - RM200,000	-	-
- RM200,001 - RM250,000	1	-
- RM250,001 - RM300,000	1	3
- RM300,001 - RM350,000	2	-
Executive directors of the subsidiary companies		
- Below RM50,000	2	1
- RM50,001 - RM100,000	1	-
	8	7
Non-Executive directors		
- Below RM50,000	3	3
	11	10

26. FINANCE COST

	Group	
	2005 RM	2004 RM
Interest on		
- bankers acceptances	1,264,247	1,156,271
- bank interim	-	1,860
- bank overdrafts	169,996	218,142
- hire purchase	103,872	139,187
- overdue	5	174
- term loans	-	312,351
- trust receipts	121,126	217,605
	1,659,246	2,045,590

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

27. TAXATION

a) Movements in the taxation statements are:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 01 September	(614,409)	(598,317)	5,372	-
Taxation charge for the year	1,522,965	1,739,765	874,495	915,566
Prior year underprovision	11,685	63,533	-	-
Real Property Gains Tax	41,786	-	-	-
Tax paid	(2,359,936)	(1,949,120)	(6,872)	-
Real Property Gains Tax paid	(41,786)	-	-	-
Tax deducted at source	(3,080)	(588)	(879,200)	(910,194)
Tax refund	-	130,318	-	-
At 31 August	(1,442,775)	(614,409)	(6,205)	5,372

b) The taxation expenses comprise:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Taxation charge for the year	1,522,965	1,739,765	874,495	915,566
Prior years underprovision	11,685	63,533	-	-
Real Property Gains Tax	41,786	-	-	-
Transfer (from)/to deferred taxation (note 19)	(65,181)	249,747	-	-
Taxation expenses for the year	1,511,255	2,053,045	874,495	915,566

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation	6,076,708	10,570,928	2,930,568	3,113,436
Taxation at statutory tax rate of 28%	1,701,478	2,959,860	820,559	871,762
Tax effects of:				
- opening deferred tax resulting from a reduction in income tax rate	(40,378)	(9,330)	-	-
- income chargeable at different tax rates	(124,902)	(120,000)	-	-
- non-taxable items	(283,858)	(428,524)	-	-
- double deduction items	(130,903)	(85,016)	-	-
- non-deductible items	396,808	285,210	53,634	43,678
- depreciation on non-qualifying property, plant and equipment	101,429	91,381	302	126
Real Property Gains Tax	31,816	-	-	-
Reinvestment allowances incentive	(151,920)	(591,352)	-	-
Utilisation of previously unrecognised tax losses	-	(112,717)	-	-
Prior years underprovision	11,685	63,533	-	-
Taxation expenses for the year	1,511,255	2,053,045	874,495	915,566

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

28. EARNINGS PER SHARE**a) Basic earnings per share**

The basic earnings per share is calculated by dividing the Group earnings attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year is as follows:-

	Group	
	2005	2004
	RM	RM
Net profit attributable to ordinary shareholders	<u>4,565,612</u>	<u>6,611,204</u>
	Units	Units
Number of ordinary shares in issue as of 01 September	80,000,000	50,000
Effect of the exercise of ESOS	3,191,362	-
Effect of share issue	-	55,761,716
	<u>83,191,362</u>	<u>55,811,716</u>
	RM	RM
Basic earnings per share	<u>0.055</u>	<u>0.118</u>

b) Diluted earnings per share

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

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

28. EARNINGS PER SHARE (continued)

	2005 RM	2004 RM
Net profit attributable to ordinary shareholders	<u>4,565,612</u>	<u>6,611,204</u>
	Units	Units
Weighted average number of ordinary shares in issue	83,191,362	55,811,716
Add:		
Dilutive ESOS	966,329	-
Dilutive warrants	335,164	-
	<u>1,301,493</u>	<u>-</u>
Adjusted weighted average number of ordinary shares calculating diluted earnings per share	<u>84,492,855</u>	<u>55,811,716</u>
	RM	RM
Diluted earnings per share	<u>0.054</u>	<u>-</u>

29. DIVIDEND

	Group and Company	
	2005 RM	2004 RM
Paid/Payable		
A first and final dividend of 5% less 28% tax in respect of year ended 31 August 2004	<u>1,518,066</u>	<u>-</u>

At the forthcoming Annual General Meeting, a first and final dividend of 4% less 28% tax (2004 - 5% less 28% tax) amounting to RM1,821,679 (2004 - RM1,518,066) in respect of year ended 31 August 2005 will be proposed for shareholders' approval. The financial statements for the current year do not reflect this proposed final dividend. If approved by shareholders, such dividend will be accounted for in shareholders' equity as an appropriation of retained profit in the next financial year ending 31 August 2006.

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

30. ACQUISITION OF SUBSIDIARY COMPANIES

- a) During last financial year, the Company acquired 4 direct and 4 indirect subsidiary companies as disclosed in note 5 to the financial statements. The purchase considerations of the acquisitions were satisfied by way of:-

	Company 2004 RM
Issuance of 27,052,007 new ordinary shares of RM1.00 each in the Company at an issue price of approximately RM1.07 per ordinary share of RM1.00 each	28,810,387
Cash consideration	8,864,718
	<hr/>
Cost of investments in subsidiary companies	37,675,105
Revaluation reserve	11,516,887
	<hr/>
Carrying amount as at 31 August	<u>49,191,992</u>

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

	At date of acquisition RM
Property, plant and equipment	33,286,699
Investment properties	2,875,600
Investment in associated company	39,821
Other investments	1,940,948
Inventories	24,915,624
Trade and other receivables	50,675,489
Tax recoverable	901,691
Fixed deposits with licensed banks	50,255
Cash and bank balances	2,091,161
Amounts due to directors	(47,253)
Trade and other payables	(22,789,432)
Borrowings	(36,331,918)
Bank overdraft	(10,429,501)
Deferred taxation	(712,954)
Minority interest	(161,881)
	<hr/>
Fair value of net assets acquired	46,304,349
Negative goodwill on acquisition	(8,629,244)
	<hr/>
Total purchase consideration	37,675,105
Portion discharged by issuance of the Company's ordinary shares	(28,810,387)
	<hr/>
Portion discharge by cash	8,864,718
Add:	
Cash and cash equivalents of subsidiaries acquired	8,338,340
	<hr/>
Cash flow on acquisition of subsidiaries	<u>17,203,058</u>

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

31. CASH FLOW STATEMENTS

a) Purchase of property, plant and equipment

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Purchase of property, plant and equipment (note 4)	5,996,667	3,701,069	-	10,797
Financed by hire purchase loan	(502,800)	(1,201,000)	-	-
	<u>5,493,867</u>	<u>2,500,069</u>	<u>-</u>	<u>10,797</u>
Cash payments on purchase of property, plant and equipment	5,493,867	2,500,069	-	10,797

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash in hand				
- Malaysian Ringgit	3,014,055	59,757	-	536
- United States Dollar	30,388	48,772	-	-
- Euro Dollar	16,562	27,357	-	-
- others	20,970	12,754	-	-
Cash at banks				
- Malaysian Ringgit	2,024,723	1,973,991	181,562	24,397
- United States Dollar	170,631	14,834	-	-
Fixed deposits with licensed banks	259,640	-	-	-
Bank overdrafts				
- Malaysian Ringgit	(2,328,521)	(1,553,586)	-	-
	<u>3,208,448</u>	<u>583,879</u>	<u>181,562</u>	<u>24,933</u>
Fixed deposits with licensed banks	4,603,961	3,880,043	-	-
Unclaimed dividends at bank	5,904	-	5,904	-
	<u>7,818,313</u>	<u>4,463,922</u>	<u>187,466</u>	<u>24,933</u>

Group

The fixed deposits are pledged for credit facilities granted to subsidiary companies, and fixed deposits of RM3,363,601 (2004 - RM3,880,043) are held in trust in the name of certain directors.

The above fixed deposits have maturity ranging from 182 to 456 days and carry interest at average rates ranging from 2.75% to 3.7% (2004 - 3.0% to 3.70%) per annum.

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

32. SIGNIFICANT RELATED PARTY TRANSACTION

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

	Company	
	2005 RM	2004 RM
Dividends received	3,140,000	3,250,693

33. NUMBER OF EMPLOYEES AND STAFF COSTS

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

	Group	
	2005 RM	2004 RM
Salaries and wages	8,099,179	8,223,179
Defined contribution retirement plan	691,547	700,205
Other employee benefits	894,210	87,513
	9,684,936	9,010,897

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

	Group	
	2005 Nos.	2004 Nos.
Management	8	5
Administration	109	89
Operations	328	338
	445	432

34. CONTINGENT LIABILITY - UNSECURED**Company**

The Company has extended corporate guarantee to bankers for credit facilities to a limit of approximately RM67.3 million (2004 - RM46.28 million) granted to subsidiary companies.

Accordingly, the Company is contingently liable to the extent of credit facilities utilized by the subsidiary companies amounting to approximately RM45.2 million as of 31 August 2005 (2004 - Nil).

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

35. MATERIAL LITIGATION

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

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

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

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

36. CAPITAL COMMITMENT

	2005 RM	Group	2004 RM
Approved and contracted for:-			
Construction of factory building	328,511		-
Purchase of machinery	730,378		-
	<u>1,058,889</u>		<u>-</u>
Approved but not contracted for:-			
Construction of factory building	<u>2,277,666</u>		<u>285,000</u>

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

37. SEGMENTAL REPORTING - GROUP

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

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

37. SEGMENTAL REPORTING - GROUP (continued)

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

2004	Investment holding RM	Manufa- cturing RM	Marketing and distribution RM	Property investment RM	Eliminations RM	Consolidated RM
REVENUE AND EXPENSES						
Revenue						
External sales	41,990	45,078,924	50,209,826	-	-	95,330,740
Inter-segment revenue	3,250,693	23,037,481	8,237,081	278,400	(34,803,655)	-
Total	3,292,683	68,116,405	58,446,907	278,400	(34,803,655)	95,330,740
Results						
Segment results	3,113,436	7,787,449	5,146,498	188,527	(3,819,650)	12,416,260
Finance cost, net						(1,799,783)
Share of results of associated company	-	-	(45,549)	-	-	(45,549)
Profit before taxation						10,570,928
Taxation						(2,053,045)
Profit after taxation						8,517,883
Minority interest						(78,293)
Pre-acquisition profit						(1,828,386)
Profit attributable to shareholders						6,611,204
ASSETS AND LIABILITIES						
Segment assets #	477,832	49,751,354	56,811,395	4,085,088	-	111,125,669
Investment in associated company	-	-	152,383	-	-	152,383
Total segment assets						111,278,052
Segment liabilities @	107,864	29,363,915	26,567,728	2,300,833	-	58,340,340
OTHER INFORMATION						
Capital expenditure	16,986	2,590,766	1,093,317	-	-	3,701,069
Depreciation	450	1,973,777	396,947	36,690	-	2,407,864
Amortisation	-	-	-	8,496	-	8,496
Non-cash expenses other than depreciation and amortisation	-	2,020	427,031	-	-	429,051

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

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

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the Company undertakes the following proposals:-

- i) proposed renounceable rights issue of 21,084,250 new ordinary shares of RM0.50 each in UDS (‘Rights Shares’) together with 21,084,250 free detachable warrants at an issue price of RM0.80 per rights share on the basis of one (1) rights share with one (1) free warrant for every four (4) existing ordinary shares of RM0.50 each (‘Shares’) held by the entitled shareholders of UDS at 5.00 p.m. on 3 October 2005 (‘Rights Issue With Warrants’); and
- ii) proposed bonus issue of 21,084,250 new ordinary shares in UDS (‘Bonus Shares’) on the basis of one (1) bonus share for every one (1) rights share subscribed by the entitled shareholders of UDS and/or their renounees pursuant to the rights issue with warrants (‘Bonus Issue’). The proposed bonus issue will be effected by way of capitalising RM10,542,125 from the Company’s revaluation account as at 31 August 2004.

On 2 December 2005, the Company has completed the above proposals.

39. FAIR VALUES**Recognised**

- a) The aggregate fair value of financial liability carried on the balance sheet as at 31 August is presented in the following table:

	Group			
	2005	2005	2004	2004
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Non-current hire purchase payables	248,466	248,116	679,611	686,738

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

Unrecognised

- a) It is not practical to estimate the fair value of contingent liability reliably due to the uncertainties of timing, costs and eventual outcome.
- b) The fair values of forward exchange contracts of the Group as at 31 August 2005 are estimated at RM559,200 (2004 - RM6,339,313).

NOTES TO THE FINANCIAL STATEMENTS -31 AUGUST 2005 (*continued*)**40. FINANCIAL RISK MANAGEMENT**

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

a) Foreign currency risk

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

Foreign exchange exposure in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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

	Currency	Maturity within one to twelve months RM
As at 31 August 2005		
Forward contracts used to hedge sales	United States Dollar	<u>3,018,790</u>
As at 31 August 2004		
Forward contracts used to hedge sales	United States Dollar	<u>4,364,496</u>

The net unrecognised losses as at 31 August 2005 on forward currency contracts used to hedge anticipated sales which are expected to occur in September 2005 amounted to RM25,650 (2004 - RM896) and are deferred until the related sales are transacted, at which time they are included in the measurement of such transactions.

b) Credit risk

The Group manages credit risk by setting credit limits and ensuring that sales of goods are made to customers with an appropriate credit history. Collaterals are obtained where necessary from some customers to mitigate the credit risk exposure. Trade receivables are monitored on a regular and ongoing basis for irregularities.

At balance sheet date, the Group has no significant concentration of credit risk that may arise from exposure to any individual customer.

c) Interest rate risk

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

d) Liquidity and cash flow risks

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

NOTES TO THE FINANCIAL STATEMENTS -

31 AUGUST 2005 (continued)

41. COMPARATIVE INFORMATION

The following comparative figures have been reclassified on the face of financial statements to conform with current year's presentation:-

a) CONSOLIDATED INCOME STATEMENT:-

	Group	
	As restated RM	As previously reported RM
Cost of sales	(72,552,781)	(72,572,019)
Other operating income	2,246,855	2,177,351
Administrative expenses	(9,397,988)	(9,714,153)
Selling and distribution expenses	(2,964,759)	(2,559,852)

b) CASH FLOW STATEMENT:-

	Company	
	As restated RM	As previously reported RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Deferred expenditure incurred	(21,552)	-
Listing expenses incurred	(1,681,423)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred expenditure incurred	-	(21,552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Listing expenses incurred	-	(1,681,423)

List of Properties

Owned By The Group

Registered Owner / Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2005 (RM'000)
Freehold Land and Buildings					
UDT 28, Jalan Nilam 1/3, Subang Hi-Tech Industrial Park, 40000 Shah Alam (P.T.14874 H.S. (M) 7979 and P.T. 14875 H.S. (M) 7980, Mukim of Damansara, District of Petaling), Selangor (at valuation - RM670,000)	1 1/2 storey shophouse/rented/None	372 sq.m./ 487.74 sq.m.	9	Freehold	670
18, Jalan Seroja 39, Taman Johor Jaya, 81100 (PTD 64004 H.S. (D) 101470, Mukim of Plentong), District of Johor Bahru, Johor	Double storey terrace workshop UDT warehouse and office/If the land is transferred to a Bumiputra, it cannot be sold, transferred or charged to a non- Bumiputra later without prior approval from the relevant authorities.	990.90 sq.m./ 309.19 sq.m.	11	Freehold	1,278
Lot 4038, Jalan Parit Bakar 1, Taman Parit Bakar, Jalan Temenggong Ahmad 84010 Muar, Johor	Double storey banglo house / Residential uses / None	681.13 sq. m	5	Freehold	793
SWS Nos. 48-10 and 48-11, (Lot PTD Nos. 7722 & 7723, H.S.(M) 3867 & 3868), Jalan Khalidi, Mukim of Bandar, District of Muar, Johor	2 units of double storey semi-detached houses/Residential uses/None	744.07 sq.m./ 450.78 sq.m.	3	Freehold	703
No. 116, Lorong Hang Jebat, Melaka (Lot No. 28 Grant No. 5007, Kawasan Bandar XIV, Melaka Tengah)	2 1/2 storey shophouse/vacant/None	237.55 sq.m/ 657.28 sq.m	21	Freehold	366
Sub-total					3,810

List of Properties

Owned By The Group (continued)

Registered Owner / Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2005 (RM'000)
SI No. 10, (PTD No. 4085, H.S.(D) 22978), Kawasan Perindustrian Parit Jamil, Parit Jawa, Mukim of Sri Menanti, District of Muar, 84150 Johor	Industrial land/SWS - sofas manufacturing factory/The land cannot be transferred unless the factory building has been constructed as according to the plan as approved by the relevant authorities.	16,839.80 sq.m/ 12,824.35 sq.m	3	Freehold	7,056
Freehold Land					
UDT Lot 4304 GM 1291, Mukim of Pt Bakar District of Muar, Johor (located along the 3rd milestone of Jalan Temeggong Ahmad, the interior trunk road linking Muar to Parit Jawa and Batu Pahat) (at valuation - RM270,000)	Agriculture land/Vacant (Investment property)/None	0.2479 ha. (0.61 acres)	N/A	Freehold	270
Lot 149 (CT 16396), Lot 151 (CT 16398) and Lot 152 (CT 16399), Mukim of Parit Jawa District of Muar, Johor * (located about 2.3 kilometres off the northern side of the Muar/Bukit Bakri-Yong Peng main road, at about 9 kilometres east of Pekan Bukit Bakri and approximately 20 kilometres south-east of Muar town centre)	Agriculture land/Vacant/None	11.314 ha. (27.96 acres)	N/A	Freehold	1,697
SWS Lot No. 1420 GM 848, Mukim of Sungai Raya, District of Muar, Johor (located along the north-western side of Jalan Raja, Bukit Pasir, Muar, Johor)	Agriculture land/Homestead use/ None	0.5741 ha (1.42 acres)/ 205.14 sq.m	N/A	Freehold	300
Sub-total					9,323

List of Properties

Owned By The Group (continued)

Registered Owner / Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2005 (RM'000)
<p>ORI Lot PTD 4084, H.S.(D) 22977, Kawasan Perindustrian Parit Jamil Phase I (1), Parit Jawa, Mukim of Sri Menanti, District of Muar, Johor * (located in Phase II (2) of the Kawasan Perindustrian Parit Jamil, Muar, Johor)</p>	Industrial land/Vacant/The land cannot be transferred unless the factory building has been constructed as according to the plan as approved by the relevant authorities.	1.6840 ha (4.1612 acres)	N/A	Freehold	1,333
<p>UDT Lot 1794 GM 348, Mukim of Sungai Raya District of Muar, Johor (located with common frontage onto the south side of the metalled single carriageway of Jalan Kampong Raja, about 4 kilometres northwest of the smallish local centre of Bukit Pasir town, and at a point 450 metres east of the well-developed yet established Bukit Pasir Industrial Estate) (at valuation - RM640,000)</p>	Industrial land/Rented/None	1.0117 ha (2.5000 acres)	N/A	Freehold	640
<p>Lot 2312 GM 1935, Mukim of Sungai Raya District of Muar, Johor (located with common frontage onto the south side of the metalled single carriageway of Jalan Kampong Raja, about 4 kilometres northwest of the smallish local centre of Bukit Pasir town, and at a point 450 metres east of the well-developed yet established Bukit Pasir Industrial Estate)</p>	Industrial land/Vacant/None	1.4164 ha (3.5000 acres)	N/A	Freehold	1,053
Sub-total					3,026

List of Properties

Owned By The Group (continued)

Registered Owner / Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2005 (RM'000)
Leasehold Land and Buildings					
UDI (the land is registered in the name of UDT) PTD 6001, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Muar (Lot 8791 PN 9614 (formerly known as Lot No. 8791 H.S. (D) 21087), Mukim of Jalan Bakri, District of Muar), Johor	Leasehold land/ Office, store and factory/The land cannot be sold, transferred or charged without prior approval from relevant authorities	10,056 sq. m/ 4,389.58 sq. m	8	Leasehold 99 years (expiring on 29-12-2094)	3,030
UDP Lot 171, Jalan Tiga, Kompleks Perabut Olak Lempit, 42700 Banting, Selangor Lot PTD 4081 H.S.(M) 5751, Mukim of Tajung Dua Belas, Olak Lempik, District of Kuala Langat, Selangor	Leasehold land/ Office, store and factory/The land cannot be sold, transferred or charged without prior approval from relevant authorities	4,047 sq. m	6	Leasehold (expiring on 26-09-2087)	1,386
Lot 8792, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Muar (formerly known as PTD 6002, H.S. (D) 21088), Mukim of Jalan Bakri, District of Muar), Johor	Leasehold land / store./ The land cannot be sold, transferred or charged without prior approval from relevant authorities	2,321 sq.m	1	Leasehold (expiring on 29-12-2094)	1,195
UDW (the land is registered in the name of UDT) Lot 8784, Batu 8, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Muar (Lot 8784 PN9607 (formerly known as PTD 5994 H.S.(D) 21080), Mukim of Jalan Bakri, District of Muar), Johor	Leasehold land/Factory/The land cannot be sold, transferred or charged without prior approval from relevant authorities	5502 sq. m/ 3,231 sq. m	2	Leasehold 99 years (expiring on 29-12-2094)	2,795
UDP (the land is registered in the name of EGT)* Lot 8800, Jalan Perindustrian 5, Kawasan Perusahaan Bukit Bakri, Batu 8, 84200 (PN9624 H.S.(D) 21098, Mukim of Jalan Bakri) District of Muar, Johor	Office/factory/ The land cannot be sold, transferred or charged without prior approval from relevant authorities	8,217 sq. m/ 5,128 sq. m	2	Leasehold (expiring on 29-12-2094)	3,006
Sub-total					11,412

List of Properties

Owned By The Group (continued)

Registered Owner / Location	Description/ Existing Use/ Restriction of Interest (if any)	Land/ Built-up Area	Approximate Age of Building (year)	Tenure	Net Book Value ("NBV") @ 31.08.2005 (RM'000)
Freehold Land SWS Lot 127, Lok Kawi Kinarut Industrial Estate Phase 1, District of Penampang, Kota Kinabalu, Sabah	Industrial Land & Building / Vacant / Nil	1,538 sq. m	11	Leasehold 60 years (expiring on 31-12-2042)	649
Leasehold land UDT P.T. 178 H.S.(D) 3905 and P.T. 250 H.S.(D) 3977 and P.T. 251 H.S.(D) 3978, Mukim of Pegoh, District of Alor Gajah, Melaka # (located within A' Famosa Golf Resort, which lies on the southern side of the Tampin/Pulau Sebang to Simpang Ampat road, at approximately 7 kilometres south-west and 3 kilometres north- east of Pekan Tampin and Simpang Ampat Village centre respectively and about 34 kilometres north/north-east of the Melaka town centre) (at valuation - RM635,000)	Residential land / Vacant (Investment Property) / The land cannot be transferred or charged without prior approval from relevant authorities except from the developer to the first purchaser.	2,986 sq. m	N/A	Leasehold 99 year (expiring on 18-12-2094)	635
Condominium/ Apartment UDT Ruby 07-07 7th Floor, Sg Abong Condominium District of Muar, Johor ^ (Lot 4219 Geran 55495, Bandar Maharani, Muar) (at valuation - RM180,000)	Condominium/ Vacant (Investment property)/None	113.156 sq. m	5	Freehold	180
Sub-total					1,464
Grand total					29,035

Analysis of Shareholdings

THIRTY LARGEST SECURITIES ACCOUNT - SHAREHOLDERS AS AT 30 DECEMBER 2005

	Name of Shareholder	No. of Shares	% of total issued capital
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON (SFC)	18,745,218	14.82
2	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD	8,301,676	6.56
3	NEO TIAM HOCK	5,086,896	4.02
4	KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR KOH LOW @ KOH KIM TOON	4,595,869	3.63
5	KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR KENANGA ARIF SDN. BHD.	4,482,130	3.54
6	IMPRESIF IRAMA SDN BHD	3,887,368	3.07
7	NEO CHEE KIAT	3,858,210	3.05
8	NG SEY WEE @ ANG SEH WEE	3,264,510	2.58
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI -471821	2,700,000	2.13
10	A.A. ANTHONY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AH LEET @ AH HEET	1,937,894	1.53
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PERINDASTRIAN MADAH SDN. BHD.	1,934,400	1.53
12	PI SIU CHAN @ PEE KOON FOOI	1,905,228	1.51
13	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHAN CHUY @ TAN CHIN HUAT	1,752,000	1.38
14	EONCAP SECURITIES SDN BHD	1,739,770	1.38
15	K&N KENANGA BHD IVT (B1)	1,739,770	1.38
16	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR NEO CHEE KIAT	1,500,000	1.19
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	1,500,000	1.19

Analysis of Shareholdings

(continued)

THIRTY LARGEST SECURITIES ACCOUNT - SHAREHOLDERS AS AT 30 DECEMBER 2005 (continued)

	Name of Shareholder	No. of Shares	% of total issued capital
18	TSAI, MING-FANG	1,285,938	1.02
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON -473933	1,250,100	0.99
20	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR NEO TIAM HOCK	1,250,000	0.99
21	KENANGA ARIF SDN BHD	1,175,970	0.93
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (07246AP3551)	1,100,000	0.87
23	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KENANGA ARIF SDN BHD	1,000,000	0.79
24	KOH CHON CHAI	865,048	0.68
25	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON	817,700	0.65
26	KOH CHOON SENG	779,782	0.62
27	TAN KIM POO	770,844	0.61
28	NEO CHEE HOW	739,154	0.58
29	PERINDASTRIAN MADAH SDN. BHD.	737,050	0.58
30	NEO CHEE HSIAN	724,154	0.57

Analysis of Shareholdings

(continued)

THIRTY LARGEST SECURITIES ACCOUNT - WARRANTHOLDERS AS AT 30 DECEMBER 2005

	Name of Warrantholder	No. of Shares	% of total warrants
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD	4,150,838	19.69
2	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR KOH LOW @ KOH KIM TOON (SFC)	3,722,609	17.66
3	KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR KOH LOW @ KOH KIM TOON	1,210,978	5.74
4	KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR KENANGA ARIF SDN. BHD.	1,143,000	5.42
5	EONCAP SECURITIES SDN BHD	869,885	4.13
6	K&N KENANGA BHD IVT(B1)	869,885	4.13
7	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR NEO CHEE KIAT	750,000	3.56
8	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD CAPITAL RESPONSE SDN BHD FOR NEO TIAM HOCK	625,000	2.96
9	NG SEY WEE @ ANG SEH WEE	544,085	2.58
10	TAN JYH KHUANG	500,000	2.37
11	NEO TIAM HOCK	431,149	2.04
12	TAN LAY CHOO	300,000	1.42
13	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHAN CHUY @ TAN CHIN HUAT	292,000	1.38
14	NEO CHEE KIAT	226,368	1.07
15	LIEW HIN CHOY	220,000	1.04
16	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ON BOON KAI	200,000	0.95
17	WONG CHEE KIONG	200,000	0.95

Analysis of Shareholdings

(continued)

THIRTY LARGEST SECURITIES ACCOUNT - WARRANTHOLDERS AS AT 30 DECEMBER 2005 (continued)

	Name of Warrantholder	No. of Shares	% of total warrants
18	LEW SIN PENG	180,000	0.85
19	PERINDASTRIAN MADAH SDN. BHD.	176,525	0.84
20	KENANGA NOMINEES (TEMPATAN) SDN BHD KENANGA CAPITAL SDN BHD FOR KOH SOO @ KOH KIM CHIU	153,320	0.73
21	SHIN KONG KEW @ CHIN KONG KEW	134,400	0.64
22	LIM BAK JONG	107,725	0.51
23	WONG CHER HUA	105,000	0.5
24	NORASPA BINTI ALIAS	102,000	0.48
25	FUA KIM CHUAN	100,000	0.47
26	CHAN WENG CHIN	86,000	0.41
27	YEW OI FONG	83,000	0.39
28	TEH CHEE SENG	80,000	0.38
29	TENG LEH SING	80,000	0.38
30	TIN TONG MING	80,000	0.38

Analysis of Shareholdings

(continued)

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 30 DECEMBER 2005

Size of shareholdings	No. of Shareholders	% of total shareholders	No. of Shares	% of total issued capital
Less than 100	9	0.40	354	0.00
100 to 1,000	312	13.82	292,696	0.23
1,001 to 10,000	1,266	56.09	5,902,570	4.67
10,001 to 100,000	561	24.86	18,384,520	14.53
100,001 to less than 5% of issued capital	107	4.74	74,878,466	59.19
5% and above of issued capital	2	0.09	27,046,894	21.38
TOTAL	2,257	100.00	126,505,500	100.00

ANALYSIS BY SIZE OF WARRANTHOLDINGS AS AT 30 DECEMBER 2005

Size of warrantholdings	No. of Warrantholders	% of total warrantholders	No. of Warrants	% of total warrants
Less than 100	7	1.21	337	0.00
100 to 1,000	223	38.38	112,795	0.53
1,001 to 10,000	247	42.51	1,047,776	4.97
10,001 to 100,000	80	13.77	2,708,575	12.85
100,001 to less than 5% of total warrants	20	3.44	6,987,342	33.14
5% and above of total warrants	4	0.69	10,227,425	48.51
TOTAL	581	100.00	21,084,250	100.00



UDS CAPITAL BERHAD

(Company No. 502246-P)

(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

No. of Shares Held	
--------------------	--

*I/We(Full Name in Block Letters)
of(Address)
being a *member/members of the above named Company, hereby appoint
.....(Full Name in Block Letters)
of(Address)
or failing him,(Full Name in Block Letters)
of(Address)
as *my/our proxy to vote for *me/us and on *my/our behalf at the SIXTH ANNUAL GENERAL MEETING of the Company to be held on 16 February 2006.

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
ORDINARY RESOLUTION 3		
ORDINARY RESOLUTION 4		
ORDINARY RESOLUTION 5		
ORDINARY RESOLUTION 6		
ORDINARY RESOLUTION 7		
ORDINARY RESOLUTION 8		
ORDINARY RESOLUTION 9		
ORDINARY RESOLUTION 10		
ORDINARY RESOLUTION 11		

Please indicate with "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction for voting is given, the proxy may vote as he thinks fit.

Signed this day of 2006.

.....
Signature / Common Seal of Member(s)

Notes:-

1. A proxy may but need not be a member of the Company and the proxy need not be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia and the provisions of Section 149(1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. 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.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

FOLD THIS FLAP FOR SEALING

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STAMP



UDS CAPITAL BERHAD

(Company No: 502246-P)

67, 2nd Floor

Room B, Jalan Ali

84000 Muar, Johor Darul Takzim

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