

8.0 FINANCIAL INFORMATION**8.1 Proforma Consolidated Income Statements**

The following table is a summary of the proforma consolidated income statements of the UDS Group for the last five (5) financial years ended 31 August 2003, prepared based on the assumption that the current structure of the Group has been in existence since 1 September 1998. The proforma consolidated income statements are prepared for illustrative purposes and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

Financial Year Ended 31 August	Proforma Group				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	57,788	64,724	65,679	66,868	74,154
EBITDA	6,038	6,517	8,205	10,730	10,636
Interest expense	(575)	(891)	(1,060)	(1,180)	(2,000)
Depreciation	(335)	(640)	(662)	(651)	(666)
Amortisation	-	-	-	-	-
Share of profits and losses of associated corporations and joint ventures	135	-	-	-	-
Profit before taxation and exceptional items	5,263	4,986	6,483	8,899	7,970
Exceptional items (xii)	749	1,231	-	-	-
Profit before taxation and minority interest	6,012	6,217	6,483	8,899	7,970
Taxation	(510)	(1,429)	(1,411)	(2,076)	(1,842)
Profit from ordinary activities	5,502	4,788	5,072	6,823	6,128
Extraordinary items	-	-	-	-	-
Minority interest	-	(2)	(3)	(86)	(37)
Net profit	(A) 5,502	4,786	5,069	6,737	6,091
Number of shares in issue ('000)(i)	(B) 54,204	54,204	54,204	54,204	54,204
Net EPS (sen)(ii)	(A)/(B) 10.15	8.83	9.35	12.43	11.24

8.0 FINANCIAL INFORMATION (Cont'd)*Notes:-*

- (i) *The assumed issued and paid-up share capital of 54,204,014 ordinary shares of RM0.50 each is based on the issued and paid-up capital of UDS after the Acquisitions but before the Rights Issue and the Public Issue.*
- (ii) *The Net EPS is calculated based on the proforma net profit on the issued and paid-up share capital of 54,204,014 ordinary shares of RM0.50 each.*
- (iii) *The Proforma Group Income Statements have been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited financial statements of the UDS Group.*
- (iv) *All significant inter-company transactions have been eliminated on consolidation and the consolidation results reflect external transactions only.*
- (v) *Revenue for the financial period ended 31 August 1999 increased by 9.76 % to RM57.79 million mainly due to the export sales of SWS which grew significantly by approximately 49.98% or RM4.16 million.*

Profit before taxation for the financial period ended 31 August 1999 increased by 42.97% to RM6.01 million due to the increase in revenue and the increase in the profit margin as a result of improved production efficiency.

- (vi) *Revenue for the financial period ended 31 August 2000 increased by 12.00% to RM64.72 million mainly due to the export sales of SWS which grew significantly by approximately 36.25% or RM4.53 million, as well as the sustained order from its major customers for the Group's panel products.*

Profit before taxation for the financial period ended 31 August 2000 increased by 3.41% to RM6.22 million mainly due to the increase in revenue.

- (vii) *Revenue for the financial period ended 31 August 2001 increased marginally by 1.48%.*

Simultaneously, profit before taxation for the financial period ended 31 August 2001 increased by 4.28% to RM6.48 million.

- (viii) *Revenue for the financial period ended 31 August 2002 increased marginally by 1.81%.*

Profit before taxation for the financial period ended 31 August 2002 increased by 37.27% to RM8.899 million mainly due to gain on disposal of landed property, plant and equipment, which amounted to approximately RM1.55 million.

- (ix) *Revenue for the financial period ended 31 August 2003 increased by 10.90% to RM74.154 million mainly due to the increase in demand for the Group's laminated products and also the full swing of operations of UDW. It was also due to the capture of additional market share of laminated products and aggressive promotion of overseas market.*

Profit before taxation for the financial period ended 31 August 2003 decreased by 10.44% to RM7.970 million mainly due to higher finance cost and increase of bad debts written off.

- (x) *Taxation charge for the financial period ended 31 August 1999 was in respect of deferred taxation. There was no current taxation charge as it was a tax waiver year.*

The disproportionate tax charge for the financial period ended 31 August 2000 was due to the non-trade nature of the exceptional item which resulted in it being non-taxable.

The disproportionate tax charge for the financial period ended 31 August 2001 was due to the claim of export allowance for SWS and the utilisation of the reinvestment allowance for UDI which was granted under Schedule 7A of the Income Tax Act, 1967.

8.0 FINANCIAL INFORMATION (Cont'd)

The effective tax rate for the financial period ended 31 August 2002 represents a rate lower than the statutory income tax rate due to the claim of export allowance by SWS and the gain on disposal of a property which was subject to 5% of the Real Property Gains Tax

The effective tax rate for the financial period ended 31 August 2003 represents a rate lower than the statutory income tax rate due to the higher claim of reinvestment allowance and industrial building allowance.

- (xi) In preparing the proforma consolidated income statements for the financial year ended 31 August 2003, adjustment was made on reversal of deferred tax asset arising from recognition of unutilised reinvestment allowance by a subsidiary company. This adjustment was made to the financial statements to comply with Para 27 of the MASB 11 so as to use a uniform accounting policy. The effect of the adjustment is to reduce the after tax profit by RM290,000.*
- (xii) There were no exceptional or extraordinary items for the financial periods under review other than the exceptional items in the financial period ended 31 August 1999 to 2000. The exceptional items are in respect of the waiver of sum due to trade payable and former related parties.*

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8.0 FINANCIAL INFORMATION (Cont'd)**8.2 Segmental Analysis on Turnover and Profits****8.2.1 Analysis of Revenue by Company**

	←-----Financial Period Ended 31 August-----→				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
UDS	-	-	-	-	-
UDT	43,885	47,469	48,125	49,141	52,677
SWS	12,496	17,026	19,987	20,882	23,556
DA	-	-	-	-	-
UDI	3,950	4,519	4,507	4,530	4,723
UDP	1,355	1,832	5,630	8,080	16,530
EGT	-	-	-	-	22
UDW	-	-	217	870	4,399
ORI	-	-	-	-	-
SI	219	258	240	240	240
Consolidation adjustment	(4,117)	(6,380)	(13,027)	(16,875)	(27,993)
Total	57,788	64,724	65,679	66,868	74,154

8.2.2 Analysis of PAT by Company

	←-----Financial Period Ended 31 August-----→				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
UDS	(16)	(32)	(1)	(1)	(1)
UDT	3,615	2,733	3,069	4,050	2,465
SWS	894	919	1,134	1,192	1,551
DA	(6)	(5)	(3)	(7)	(70)
UDI	274	522	797	806	712
UDP	705	763	252	988	1,679
EGT	-	(2)	(5)	(18)	6
UDW	-	(7)	12	52	226
ORI	(1)	(3)	(3)	(4)	(16)
SI	80	10	35	56	73
Consolidation adjustment	(43)	(110)	(215)	(291)	(497)
Total	5,502	4,788	5,072	6,823	6,128

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8.0 FINANCIAL INFORMATION (Cont'd)**8.2.3 Analysis of Turnover by Product Category**

	←-----Financial Period Ended 31 August----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Lamination board	40,947	42,739	40,474	39,929	41,311
Settees and sofas	12,496	17,026	19,987	20,882	23,556
Accessories	4,345	4,959	4,958	4,983	5,195
Furniture	-	-	260	1,074	4,092
Total	57,788	64,724	65,679	66,868	74,154

8.2.4 Analysis of PBT by Product Category

	←-----Financial Period Ended 31 August----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Lamination board	4,115	3,351	4,204	4,789	4,921
Sofas and settees	936	1,169	1,423	1,693	1,505
Accessories	331	466	686	908	913
Furniture	-	-	10	70	296
	5,382	4,986	6,323	7,460	7,635
Non-recurrent transactions *	630	1,231	160	1,439	335
Total	6,012	6,217	6,483	8,899	7,970

Note:-

* *Non-recurrent transactions such as gain on disposal of property and equipment, loss on disposal of subsidiary company and real property gains tax.*

8.3 Directors' Declaration on Financial Performance of the Group

Save as disclosed in this Prospectus, as at 6 February 2004 (being the latest practicable date prior to this printing of this Prospectus), to the best knowledge of the Directors of the Company, the financial conditions and operations of the Company and its subsidiary companies were not affected by the following:-

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (ii) other material commitments for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that materially affect the financial performance, position and operations of the Group, and the extent to which the financial performance, position and operations of the Group was so affected;
- (iv) a substantial increase in revenue; and
- (v) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

8.0 FINANCIAL INFORMATION (Cont'd)**8.4 Working Capital, Borrowings, Material Contingent Liabilities and Capital Commitments****(i) Working Capital**

The Directors of UDS are of the opinion that, after taking into consideration the cashflow forecast including the proceeds from the Rights Issue and Public Issue and the currently available banking facilities, the Group will have adequate working capital for a period of twelve (12) months from the date of issue of prospectus.

(ii) Borrowings

As at 6 February 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group has total bank borrowings amounting to RM48.452 million. These borrowings are interest-bearing and consist of the following:-

	Payable within twelve (12) months RM	Payable after twelve (12) months RM	Total Outstanding RM
Hire purchase payable	1,403	604	2,007
Bank overdrafts	3,066	-	3,066
Bankers acceptances	34,324	-	34,324
Trust Receipts	2,702	-	2,702
Term loans	1,733	4,620	6,353
Total	43,228	5,224	48,452

(iii) Material Contingent Liabilities

As at 6 February 2004 (being the latest practicable date prior to the printing of this Prospectus), neither UDS nor any of its subsidiary companies has any material contingent liabilities other than those incurred in the ordinary course of business.

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8.0 FINANCIAL INFORMATION (Cont'd)

(iv) Material Capital Commitments

As at 6 February 2004 (being the latest practicable date prior to the printing of this Prospectus), there are no material commitments incurred or known to be incurred by the Group which may have a substantial impact on the result or the financial position of the Group.

(v) Material Litigation

Save as disclosed below, as at 6 February 2004 (being the latest practicable date prior to the printing of this Prospectus), neither the Company nor any of its subsidiary companies are engaged in any material litigation either as plaintiff or defendant and the Directors of UDS are not aware of any proceedings pending or threatened against the Company or its subsidiary companies or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company or its subsidiary companies.

- (a) UDT had sold goods to Chuan Lai Furniture ("CLF") amounting to RM142,548.50 and obtained a guarantee dated 24 June 2000 from the partners of CLF, i.e. Goo Chuan Huat and Goo Chuan Lai. UDT is suing CLF as a firm together with the partners of CLF. UDT had via Messrs Ti-Hazalan & Co, sent a letter of demand dated 22 April 2002 and 6 June 2002 to CLF and the said partners as guarantors respectively. UDT had filed in a Summons and Statement of Claim in the Session Court of Batu Pahat **Summons No. 52-637-02** on 25 June 2002 and obtained judgement 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. CLF tried to set aside the said judgement and the said WSS in the Session Court of Batu Pahat on 26 March 2003 via their application dated 21 March 2003 but failed. Further, as CLF had taken out the goods and/or part of the goods that were seized by the Sessions Court Bailiff of Batu Pahat, UDT then filed an application for committal and was successful.

CLF tried to set aside all the decisions above but failed and then appealed to the High Court of Muar on 19 September 2003 but was not successful and they finally appealed the said decisions to the Court of Appeal of which is still pending. UDT had been served with an unsealed copy of an undated Writ of Summons and Statement of Claim dated 16 December 2003 ("the said Writ") on 19 January 2004 from CLF.

CLF is also suing the Bailiff of the Sessions Court of Batu Pahat as the second Defendant and seeking the following orders:-

- (i) a declaration that the writ of seizure and sale commenced against CLF is void and illegal;
- (ii) UDT is restrained from proceeding with the said writ of seizure and sale action;
- (iii) that costs of the said action shall be paid by UDT and the Bailiff of the Sessions Court of Batu Pahat; and
- (iv) damages to be assessed by the High Court of Muar.

Messrs Ti-Hazalan & Co is of the opinion that the subject matter of the said Writ is similar to the appeal filed by CLF of which is pending disposal by the Court of Appeal. And as the said Writ served was not a seal copy, the said Writ is deemed not to be a proper court document served on UDT of which is a mere notice until and unless the said Writ is sealed by the High Court of Muar.

8.0 FINANCIAL INFORMATION (Cont'd)

Notwithstanding the abovementioned appeals, the said judgement is a valid executable court judgement. Two (2) different courts have upheld the validity of the said judgement until now together with the WSS order and committal order. The reason that the said Writ was filed in the High Court of Muar is because the said Writ is seeking a declaration and not because a sum of more than RM250,000.00 is being claimed against UDT. Since the appeals as stated above have not been heard and disposed of yet, the said Writ action by CLF is premature and without any basis in law. UDT is confident that in the likely event that the appeals of CLF are dismissed by the Court of Appeal, the said Writ action shall fail automatically. UDT is also confident that after the said appeals are dismissed by the same, they shall proceed further with the WSS proceedings against CLF.

According to Messrs Ti-Hazalan & Co, the unsealed copy of writ serves to UDT claiming, inter-alia, the damages to be assessed and any other relief deemed fit and proper by the honourable court of which in the unlikely event UDT fail in defending any counter-sued, the damages awarded would not have any financial impact on UDT. Furthermore, the said trade debts (inclusive of interest and other charges) amounting to RM172,666.06 has been fully written-off by UDT in its financial statements for the financial year ended 31 August 2003.

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8.0 FINANCIAL INFORMATION (Cont'd)**8.5 Future Financial Information****8.5.1 Consolidated Profit Forecast together with Assumptions**

The Directors of UDS Group forecast that the Group results for the financial year ending 31 August 2004 will be as follows:-

Financial Year Ending 31 August 2004

		RM'000
Turnover		76,379
PBT		10,770
Taxation		(2,676)
PAT		8,094
Minority interest		(62)
PAT and minority interest		8,032
Pre-acquisition profit		(2,008)
PAT, minority interest and pre-acquisition profit		6,024
Weighted average number of shares in issue	('000)	55,598 ⁽ⁱ⁾
Enlarged number of shares in issue	('000)	80,000
Based on PBT/PAT after minority interest over the weighted average number of UDS shares in issue		
Gross EPS	(sen)	19.37
Net EPS	(sen)	14.45
Gross PE Multiple	(times)	4.54 ⁽ⁱⁱ⁾
Net PE Multiple	(times)	6.09 ⁽ⁱⁱ⁾
Based on PBT/PAT after minority interest over the enlarged number of UDS shares in issue		
Fully diluted gross EPS	(sen)	13.46
Fully diluted net EPS	(sen)	10.04
Fully diluted gross PE Multiple	(times)	6.54 ⁽ⁱⁱ⁾
Fully diluted net PE Multiple	(times)	8.76 ⁽ⁱⁱ⁾

Notes:-

- (i) *The weighted average number of shares in issue is computed after taking into consideration the Acquisitions which were completed on 30 November 2003, the Rights Issue which was completed on 22 December 2003 and assuming the Public Issue is completed by end of February 2004*
- (ii) *Based on the issue price of RM0.88 per share.*

8.0 FINANCIAL INFORMATION (Cont'd)

The principal assumptions upon which the consolidated profit forecast has been made are as follows:-

GENERAL

1. There will be no material changes in the principal activities, key management and operating structure of the Group.
2. Save for the acquisition by UDS of 100% equity interests in UDT and SWS as part of its floatation exercise and internal restructure by acquisition of 99.42% equity interest in UDI and 100.00% equity interest in UDP, there will be no changes in structure or activities of the Group.
3. There will be no significant changes in the management, accounting and operations policies currently adopted.
4. There will be no major industrial dispute or economic and political changes or major breakdown in the manufacturing facilities or any other abnormal factors or changes which will adversely affect the Group's business or assets.
5. There will be no material changes in the prices of major raw materials, labour costs or overheads and no labour shortage which will adversely affect the Group's performance. Any increase in direct costs will be compensated through an equivalent increase in selling price.
6. There will be no significant changes in the present legislation or Government regulations affecting the activities of the respective companies or the market in which they operate.
7. There will be no significant changes in the current demand and in the prevailing market conditions in Malaysia and overseas which will adversely affect the Group's performance and business of its major customers and suppliers.
8. There will be no material changes in the rates and basis of duties, levies and other taxes which may affect the Group's activities.
9. Capital expenditure will be incurred as planned and there will be no major capital and revenue cost item variations that are beyond the control of the Group.
10. Inflation and foreign currencies rates will not substantially and adversely change from the present levels. Specifically, the Malaysian Ringgit will continue to be pegged to the US currency at the rate of RM3.80 to USD1.00.
11. The Group will continue to enjoy the existing credit facilities and interest rates will not change significantly from these presently prevailing.
12. The revenue forecast and related costs are based on forecast of the directors after taking into consideration the present conditions of selling prices and the related costs of the Group.
13. Production capacity and the mix of sales will be achieved as planned and/or shared, and there will be no unusual quality issues resulting in reject of goods by customers.
14. There will be no significant changes to the present income tax legislation. Income tax for the forecast financial year is provided for at the prevailing corporate tax rate of 28%.
15. UDI, UDP and UDW will be able to claim the Reinvestment allowance ("RA") incentive which has been extended to 31 August 2010 on the qualifying expenditure on the planned acquisitions of property, plant and equipment.
16. There will be no incidence of bad debts which will have a significant effect on the profit of the Group.
17. The Group will not engage in any litigation and there will be no legal proceedings against the Group which will adversely affect the activities or performance of the Group or give rise to any liabilities which will materially affect the financial position and business of the Group.

8.0 FINANCIAL INFORMATION (Cont'd)

8.5.2 Directors' Commentary and Analysis on the Consolidated Profit Forecast for the Financial Year Ending 31 August 2004

The Group is expected to achieve a consolidated revenue of approximately RM76.38 million for the financial year ending 31 August 2004 (31.08.2003 : RM74.15 million) representing an increase of RM2.23 million or approximately 3.01% compared to the revenue for the financial year ended 31 August 2003 and the consolidated PAT for the financial year ending 31 August 2004 is expected to increase to approximately RM8.09 million (31.08.2003 : PAT of RM6.13 million representing an increase of RM1.96 million or approximately 31.97% compared to the PAT for the financial year ended 31 August 2003.

The expected increase in the turnover for the financial year ending 31 August 2004 are mainly due to the following reasons:-

- (i) the increase in the production capacity and business growth;
- (ii) aggressive marketing campaign and promotion; and
- (iii) the increase in the range of models of products.

The Directors of UDS confirm that the consolidated profit forecast for the financial year ending 31 August 2004 and the principal bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans and strategies adopted by the UDS Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the consolidated profit forecast of UDS is achievable and the assumptions made are reasonable, barring any unforeseen circumstances.

Nevertheless, in the light of the current economic environment in Malaysia, certain assumptions, including interest and exchange rates, may differ significantly from the actual situation and this may have a material impact on the UDS Group's profit forecast.

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8.0 FINANCIAL INFORMATION (Cont'd)

8.6 Reporting Accountants' Letter on the Consolidated Profit Forecast
(Prepared for the inclusion in this Prospectus)

林特許會計公司
政府特許公共會計師

JOHN LIM & ASSOCIATES

(A.F. No: 0393)



MEMBER FIRM OF
MALAYSIAN INSTITUTE OF ACCOUNTANTS

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10 FEB 2004

The Directors
UDS CAPITAL BERHAD
(formerly known as UDSIN Group Bhd)
PTD 6001, Jalan Perindustrian 5
Kawasan Perindustrian Bukit Bakri
Batu 8
84200 Muar
JOHOR DARUL TAKZIM

Dear Sirs,

**UDS CAPITAL BERHAD
CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 AUGUST 2004**

We have reviewed the consolidated profit forecast of UDS Capital Berhad and its subsidiary companies ("UDS Group") for the financial year ending 31 August 2004 in accordance with the Malaysian Approved Statements on Auditing applicable to the review of forecasts, AI 810. The consolidated profit forecast has been prepared for inclusion in this Prospectus in connection with the Public Issue of 15,200,000 new ordinary shares of RM0.50 each at an issue price of RM0.88 per ordinary share pursuant to the listing of and quotation for the entire issued and paid-up share capital of UDS on the Second Board of the Kuala Lumpur Stock Exchange and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors as set out in accompanying statement and is presented on a basis consistent with the accounting policies adopted and disclosed by the UDS Group in its audited financial statements for the year ended 31 August 2003. The Directors of UDS are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variations could be material.

Subject to the matters stated in the proceeding paragraphs:

- (a) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (b) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the UDS Group in its audited financial statements for the year ended 31 August 2003.

The accompanying consolidated profit forecast and this letter have been prepared solely for inclusion in this Prospectus in connection with the aforementioned proposals. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

JOHN LIM & ASSOCIATES
AF 0393
Chartered Accountants

LIM JOHN @ LIM WAN SHOW
1148/2/04(J)
Chartered Accountant

8.0 FINANCIAL INFORMATION (Cont'd)**8.7 Sensitivity Analysis**

The analysis below shows the direct impact on the consolidated PBT and PAT with the variation of one (1) single factor in isolation without any qualification of measures which the Group will invariably institute to arrest any perceived deviation from the forecast figures to ensure that the forecasted consolidated PBT and PAT would be achieved. Two variable items i.e. selling price and cost of goods sold have been determined to have material impacts on the profit of the UDS Group.

8.7.1 Changes in Selling Price

	<---- Forecast for the Financial Year Ending 31 August 2004 ---->			
	Revenue RM'000	PBT RM'000	PAT RM'000	PAT Margin %
Forecast	76,379	10,770	8,094	10.60
Up 5%	80,198	14,589	10,844	13.52
Up 10%	84,017	18,408	13,593	16.18
Down 5%	72,560	6,951	5,344	7.36
Down 10%	68,741	3,132	2,595	3.78

8.7.2 Changes in Cost of Goods Sold

	<---- Forecast for the Financial Year Ending 31 August 2004 ---->			
	Revenue RM'000	PBT RM'000	PAT RM'000	PAT Margin %
Forecast	76,379	10,770	8,094	10.60
Up 5%	76,379	8,084	6,160	8.07
Up 10%	76,379	5,398	4,226	5.53
Down 5%	76,379	13,456	10,028	13.13
Down 10%	76,379	16,142	11,962	15.66

8.8 Dividend Forecast**Financial Year Ending 31 August 2004**

	RM'000
PBT	10,770
Taxation	(2,676)
PAT	8,094
Minority interest	(62)
PAT after minority interest	8,032
Pre-acquisition profit	(2,008)
PAT after minority interest and pre-acquisition profit	6,024
Proposed dividend	(1,440)
Retained profits for the year	4,584
Gross dividend per share	(sen) 2.50
Net dividend per share	(sen) 1.80
Gross dividend yield (based on the Public Issue price of RM0.88 per share)	(%) 2.84
Net dividend yield (based on the Public Issue price of RM0.88 per share)	(%) 2.05
Net dividend cover (based on the PAT after minority interest of RM8.032 million)	(times) 5.58

8.0 FINANCIAL INFORMATION (Cont'd)

The declaration, amount and payment of dividends are subject to the approval of the shareholders of UDS on the recommendation of the Board of Directors. Any variation from the forecast dividend would depend on UDS's results of operations, financial conditions, cash requirements and other factors deemed relevant by the Board of Directors.

It is the intention of Directors of UDS to recommend dividends to allow shareholders to participate in the profits of the UDS Group as well as leaving adequate reserves for the future growth of the UDS Group.

Future dividends may be waived if:-

- (i) The Group is loss position for the relevant financial period;
- (ii) The Group has insufficient tax exempt profits to declare as dividends and/or insufficient tax credits to frank its dividends; or
- (ii) The Group has insufficient cashflows to meet any dividend payment.

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8.0 FINANCIAL INFORMATION (Cont'd)**8.9 Proforma Consolidated Balance Sheets**

The proforma consolidated balance sheets of the UDS Group as at 31 August 2003 as set out below have been prepared for illustrative purposes to show the effects of the transactions described below based on the assumption that the respective transactions have been completed on 31 August 2003:-

	(A)	(B)	(C)	
	Audited UDS as at 31.08.2003 RM'000	Proforma Group After Acquisitions RM'000	Proforma Group After (A) and Rights Issue RM'000	Proforma Group After (B), Public Issue and Utilisation of Proceeds RM'000
PROPERTY, PLANT AND EQUIPMENT	-	36,340	36,340	36,340
INVESTMENT PROPERTIES	-	1,517	1,517	1,517
UNQUOTED INVESTMENTS	-	1,220	1,220	1,220
QUOTED INVESTMENTS	-	777	777	777
DEFERRED EXPENDITURE	-	552	552	-
CURRENT ASSETS				
Inventories	-	23,182	23,182	23,182
Trade receivables	-	18,024	18,024	18,024
Other receivable, deposits and prepayments	650	10,226	10,226	10,226
Tax recoverable	-	446	446	446
Fixed deposit with licensed banks	-	231	231	231
Cash and bank balances	1	1,162	6,460	6,210
	651	53,271	58,569	58,319
CURRENT LIABILITIES				
Trade payables	-	6,637	6,637	6,637
Other payables and accruals	652	5,335	5,335	5,335
Due to directors	-	73	73	73
Due to shareholder	-	1,152	1,152	1,152
Bank borrowings	-	39,346	39,346	31,253
Taxation	-	12	12	12
	-	52,555	52,555	44,462
NET CURRENT ASSETS	(1)	716	6,014	13,857
NON CURRENT LIABILITIES				
Term loans	-	(4,485)	(4,485)	-
Hire Purchase payables	-	(745)	(745)	(745)
Deferred taxation	-	(1,074)	(1,074)	(1,074)
Minority interest	-	(224)	(224)	(224)
	-	(6,528)	(6,528)	(2,043)
	(1)	34,594	39,892	51,668
FINANCED BY :				
SHARE CAPITAL	50	27,102	32,400	40,000
RESERVE				
Share premium	-	1,758	1,758	5,934 +
Accumulated loss	(51)	(51)	(51)	(51)
Negative goodwill	-	5,785	5,785	5,785
	(51)	7,492	7,492	11,668
	(1)	34,594	39,892	51,668
(NTL)/NTA per share (RM)	(0.02)	0.64	0.61	0.65

Notes:-

* Comprises 50,000 ordinary shares of RM1.00 each.

+ After deducting estimated listing expenses of RM1,600,000.

8.0 FINANCIAL INFORMATION (Cont'd)**NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2003**

1. The proforma consolidated balance sheets of UDS are prepared using accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements. Subsidiary companies are consolidated using the acquisition method of consolidation.
2. The proforma consolidated balance sheets of UDS are prepared for illustrative purposes only, based on the audited consolidated financial statements of Syarikat U.D. Trading Sdn Bhd ("UDT") and Sin Wee Seng Industries Sdn Bhd ("SWS") as at 31 August 2003 and on the assumption that the following were effected on that date :

- (a) (i) The acquisition of 100% equity interest in UDT based on its audited consolidated net tangible assets ("NTA") at 31 August 2002 to be satisfied by the issuance of 21,722,187 new ordinary UDS shares of RM1.00 each valued at approximately RM1.07 per ordinary share of RM1.00 each.

Subsequent to the abovementioned acquisition, UDS will acquire 99.42% equity interest in UDI and 100.00% equity interest in UDP from UDT for a total cash consideration of RM8,864,718.

- (ii) The acquisition of 100% equity interest in SWS based on its audited consolidated NTA at 31 August 2002 to be satisfied by the issuance of 5,329,820 new ordinary UDS shares of RM1.00 each valued at approximately RM1.07 per ordinary share of RM1.00 each.

- (b) Rights Issue of 5,297,993 ordinary shares in UDS of RM1.00 each at an issue price of RM1.00 per new ordinary share to the existing shareholders of the Company on the basis of approximately 19.55 new ordinary shares for every 100 existing ordinary shares held with certain shareholders to renounce proportionately a total of 3,266,407 rights shares to the existing Bumiputera shareholders.

- (c) 2 for 1 share split from par value of RM1.00 per ordinary share to RM0.50 per ordinary share. After the share split, the issued and paid-up share capital of UDS is RM32,400,000 which comprise 64,800,000 ordinary shares of RM0.50 each.

- (d) Public Issue of 15,200,000 new ordinary shares of RM0.50 each at an issue price of RM0.88 per share to eligible Directors, employees and persons who have contributed to the success of the UDS Group, the Malaysian Public, private placement to the investors to be identified and Bumiputera investors approved by MITI.

- (3) The gross proceeds from the Proposed Public Issue will be utilised as follows :

	RM'000
Repayment of bank borrowings	12,578
Working capital	4,496
Estimated listing expenses	1,600

	18,674
	=====

- (4) The estimated listing expenses to be borne by the Company amounting to RM1,600,000 will be written off against the share premium account.

	RM'000
Share premium from:	
Issue of shares to the vendors of UDT and SWS at a premium	1,758
Public Issue	5,776
Estimated listing expenses	(1,600)

	5,934
	=====

8.0 FINANCIAL INFORMATION (Cont'd)

8.10 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets
(Prepared for inclusion in this Prospectus)

林特許會計公司
政府特許公共會計師

JOHN LIM & ASSOCIATES

(A.F. No: 0393)



MEMBER FIRM OF
MALAYSIAN INSTITUTE OF ACCOUNTANTS

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10 FEB 2004

The Directors
UDS CAPITAL BERHAD
(formerly known as UDSIN Group Bhd)
PTD 6001, Jalan Perindustrian 5
Kawasan Perindustrian Bukit Bakri
Batu 8
84200 Muar
JOHOR DARUL TAKZIM

Dear Sirs,

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 August 2003

We have reviewed the presentation of the proforma consolidated balance sheets of UDS Capital Berhad ("UDS") as at 31 August 2003, together with the accompanying notes thereon as set out in the accompanying statement prepared for purposes of inclusion in this Prospectus issued in connection with the public issue of 15,200,000 new ordinary shares of RM0.50 each at an issue price of RM0.88 per ordinary share pursuant to the listing of and quotation for its entire issued and fully paid-up share capital on the Second Board of the Malaysia Securities Exchange Berhad.

It is the responsibility solely of the Directors of UDS to prepare the proforma consolidated balance sheets in accordance with paragraphs 19 to 21, Chapter 13, of the Securities Commission Prospectus Guidelines (Revised 1 April 2003) in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion, as required by paragraph 22, Chapter 13 of the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the proforma consolidated balance sheets with responsible officers of UDS. Our work involved no independent examination of any of the underlying financial information.

In our opinion, the proforma consolidated balance sheets of UDS as at 31 August 2003 together with the accompanying notes thereto, which are provided for illustrative purposes only, have been properly compiled on a basis consistent with the accounting policies normally adopted by the UDS and its subsidiary companies and are presented in a form suitable for inclusion in this Prospectus, and that the adjustments set out are appropriate for the purposes of the proforma consolidated balance sheets.

The accompanying proforma consolidated balance sheets and this letter have been prepared solely for the inclusion in this Prospectus in connection with the aforementioned proposals. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

JOHN LIM & ASSOCIATES
AF/0393
Chartered Accountants

LIM JOHN @ LIM WAN SHOW
1148/2/04(J)
Chartered Accountant