
2.0 DETAILS OF THE PUBLIC ISSUE

This Prospectus is dated 20 February 2004. A copy of this Prospectus has been registered by the SC. A copy of this Prospectus, together with the Application Form, has been lodged with the ROC and neither the SC nor the ROC takes any responsibility for its contents.

Approvals have been obtained from the SC for the listing scheme of UDS vide its letters dated 30 September 2003, 8 January 2004 and 13 February 2004, details of which are disclosed in Section 4.3 of this Prospectus. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue. Investors are advised to make their independent assessment of UDS and should rely on their own evaluation to assess the merits and risks of any investment in the Company.

An application shall be made to the MSEB within three (3) market days of the issuance of this Prospectus for admission to the Official List of the Second Board of the MSEB and for permission to deal in and for the listing of and quotation for the entire issued and paid-up shares of the Company, including the Public Issue Shares, which are the subject of this Prospectus on the Second Board of the MSEB. These shares will be admitted to the Official List of the Second Board of the MSEB and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the MSEB has prescribed UDS shares as prescribed securities which are required to be deposited into the CDS. In consequence thereof, the UDS shares issued through this Prospectus will be deposited directly with the MCD and any dealings in UDS shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

Acceptance of the applications for the Public Issue Shares will be conditional upon permission being granted by the MSEB to deal in and quotation for the entire enlarged issued and fully paid-up share capital of the UDS on the Second Board of the MSEB within six (6) weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC provided that the Company is notified by or on behalf of the MSEB within the aforesaid timeframe. Accordingly, monies paid in respect of any application accepted from the Public Issue will be returned in full, without interest if the said permission for listing is not granted.

Pursuant to the MSEB's shareholding spread requirement that at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each. The Company is expected to achieve this at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the Second Board of the MSEB. In the event thereof, monies paid in respect of all applications will be returned in full without interest.

In the case of an application by way of Application Form, an applicant should state his/her CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by UDS and its Advisers. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of UDS or the Group since the date hereof.

2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)

The distribution of this Prospectus and the sale of the Public Issue Shares are subject to Malaysian laws and the Company and its Advisers take no responsibility for the distribution of this Prospectus and the sale of the Public Issue Shares outside Malaysia. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such offer or invitation. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

Investors should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in any doubt as to the action to be taken should consult their **stockbroker, bank manager, solicitor, accountant, or other professional adviser immediately.**

2.1 Opening and Closing of Application

The Application for the Public Issue will open at 10.00 am on 20 February 2004 and will remain open until 5.00 p.m. on the 1 March 2004 or for such further period or periods as the Directors of UDS and/or the Managing Underwriter may, in their discretion, mutually decide. Any extension to the closing date for the application will be published in a widely circulated daily English and Bahasa Malaysia newspapers within Malaysia before the original closing date.

2.2 Indicative Timetable

Events	Indicative Date
Opening date of the Public Issue	20 February 2004
Closing date of the Public Issue	1 March 2004
Tentative balloting date	3 March 2004
Tentative allotment date	11 March 2004
Tentative listing date	12 March 2004

2.3 Purposes of the Public Issue

The purposes of the Public Issue are as follows:-

- (a) to provide an opportunity for the eligible Directors, employees and persons who have contributed to the success of the UDS Group and the Malaysian investing public and institutions to participate in the equity and in the continuing growth of the Group by way of equity participation;
- (b) to obtain listing of and quotation for the entire issued and paid-up share capital of UDS on the Second Board of the MSEB;
- (c) to enable the UDS Group to gain access to the capital market to tap external sources of debt and equity funds for future growth plans;
- (d) to enable UDS to enhance Bumiputera equity participation in UDS so as to comply with the aspirations of the National Development Policy; and
- (e) to enhance the Group's corporate profile and assist the Group in expanding its customer base.

2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)**2.4 Number and Class of Securities to be Issued**

	RM
<i>Authorised:-</i> 100,000,000 shares	50,000,000
<i>Issued and fully paid-up:-</i> 64,800,000 shares	32,400,000
<i>To be issued pursuant to the Public Issue:-</i> Public Issue of 15,200,000 new shares	7,600,000
<i>Enlarged Issued and Paid-up Share Capital</i>	40,000,000
 <i>Public Issue price per share</i>	 <i>RM0.88</i>

The issue price of RM0.88 per share is payable in full upon application.

There is only one class of shares in the Company, namely, ordinary shares of RM0.50 each. The Public Issue Shares rank pari passu in all respects with the existing issued and fully paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of issue and allotment of the Public Issue Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

At any general meeting of the Company, every shareholder shall be entitled to vote in person or by proxy or by attorney or by other duly authorised representative. On a show of hands, every person who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and in the case of a poll every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company and the provisions of Section 149(i)(b) of the Companies Act, 1965 shall not apply to the Company.

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2.0 DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

2.5 Particulars of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, will be allotted in the following manner:-

(a) **Malaysian Public**

6,000,000 Public Issue Shares to be made available for application by the Malaysian citizens, companies, co-operatives, societies and institutions, and to the extent possible, 30% of the Public Issue Shares to be allocated for Bumiputera individuals, companies, societies and institutions.

(b) **Private Placement**

2,000,000 Public Issue Shares have been reserved for application by identified investors by way of private placement, of which at least 30% is to be placed, to the extent possible, to Bumiputera investors.

(c) **Eligible Directors, Employees and Persons who have contributed to the success of the UDS Group**

4,000,000 Public Issue Shares to be reserved for eligible Directors, employees and persons who have contributed to the success of the UDS Group ("pink form shares").

(d) **Approved Bumiputera Investors**

3,200,000 Public Issue Shares to be reserved for Bumiputera investors approved by MITI.

The 5,200,000 Public Issue Shares under paragraphs 2.5 (b) and (d) are not underwritten. The entire 6,000,000 Public Issue Shares under paragraph 2.5(a) have been fully underwritten by the Managing Underwriter and Underwriters. Any Public Issue Shares not subscribed for under paragraph 2.5(c) will be made available for application by the Malaysian public and will be underwritten by the Managing Underwriter.

2.6 Details on the Pink Form Allocation

The allocation of the pink form shares in respect of paragraph 2.5(c) above is based on the following criteria:-

- (i) the 9 Directors of UDS will be allocated 60,000 shares each totalling 540,000 pink form shares;
- (ii) the position and number of years of service of the eligible employees who are confirmed employees of the UDS Group as at 6 February 2004. Based on this criteria, there are 200 employees who are eligible for allocation of the pink form shares; and
- (iii) the length of relationship, sales value and payment records of the customers with the UDS Group. Based on this criteria, there are 62 customers who are eligible for allocation of the pink form shares.

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2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)

2.7 Basis of Arriving at the Public Issue Price

The Public Issue price of RM0.88 per share was determined and agreed upon by the Company and MIMB, as Adviser, Managing Underwriter and Placement Agent, based on various factors including:-

- (a) the Group's financial and operating history as outlined in Section 4.0 of this Prospectus;
- (b) the forecast net PE Multiple of 6.09 times and 8.76 times based on the forecast net EPS of 14.45 sen and fully diluted net EPS of 10.04 sen;
- (c) the future plans and prospects of the UDS Group and the furniture industry as outlined in Section 4.6 and 4.9 of this Prospectus;
- (d) the proforma consolidated NTA of RM0.65 per share as at 31 August 2003; and
- (e) prevailing market conditions.

Applicants of the Public Issue Shares should note that the market price of UDS shares upon listing on the Second Board of the MSEB is subject to the vagaries of market forces and other uncertainties which may affect the market price of UDS shares being traded. Investors should also bear in mind the Risk Factors as set out in Section 3.0 of this Prospectus before deciding on whether or not to invest in the UDS shares.

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2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)

2.8 Utilisation of Proceeds

The total gross proceeds of RM18,673,993 (arising from the Rights Issue and Public Issue of RM5,297,993 and RM13,376,000 respectively) will be utilised by August 2004 in the following manner:-

	<i>Notes</i>	RM'000
Repayment of bank borrowings	<i>(a)</i>	12,578
Working capital	<i>(b)</i>	4,496
Estimated listing expenses	<i>(c)</i>	1,600
		<u>18,674</u>

Notes: -

- (a) The repayment of bank borrowings will result in an estimated interest savings of approximately RM0.82 million per annum, assuming an average interest rate of approximately 6.55% per annum as at 31 August 2003.*

The bank borrowings to be repaid were mainly used to finance the Group's business operations and the construction of the Group's existing factory buildings.

Any variation in the actual repayment of bank borrowings from the estimated amount will be adjusted in the allocation for working capital.

- (b) The working capital will be used to fund the expected increase in sales.*
- (c) The details of estimated listing expenses are as follows: -*

Estimated Listing Expenses	RM'000
<i>Fees payable to the authorities (SC, MSEB and ROC)</i>	70
<i>Issuing house fee and disbursements</i>	90
<i>Advertisement and translation of Prospectus</i>	37
<i>Printing of application forms, envelopes and Prospectus</i>	171
<i>Estimated professional fees</i>	950
<i>Underwriting commission, managing underwriter fee, brokerage and placement fees</i>	241
<i>Contingencies *</i>	41
Total	<u><u>1,600</u></u>

Note :-

- * Any unutilised amount will be used for working capital.*

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares, where applicable, are fully underwritten.

2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)**2.9 Financial Impact from the Utilisation of Proceeds**

The cashflow for the utilisation of proceeds are as follows:-

Financial Year Ending 31 August 2004	RM'000
<u>Inflow</u>	
Gross proceeds from the Right Issue and Public Issue	18,674
<u>Outflow</u>	
Repayment of bank borrowings	(12,578)
Working capital	(4,496)
Estimated listing expenses	(1,600)
	-

The impact on the consolidated balance sheet of the UDS Group is reflected in the proforma consolidated balance sheets in Sections 1.4 and 8.9 of this Prospectus.

2.10 Brokerage, Underwriting Commission and Placement Fees

Brokerage is payable by the Company in respect of the Public Issue Shares at the rate of 1% of the issue price of RM0.88 per share in respect of successful applications bearing stamps of MIMB, member companies of the MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Managing Underwriter and Underwriters as mentioned herein in this Prospectus have agreed to underwrite the entire 6,000,000 Public Issue Shares, which are available for subscription by the Malaysian public. Any of the 4,000,000 Public Issue Shares not taken up by the eligible Directors, employees and persons who have contributed to the success of the UDS under Section 2.5(c) of this Prospectus will be made available for application by the Malaysian investing public and will be underwritten by the Managing Underwriter.

Underwriting commission is payable by the Company at the rate of 1.75% of the issue price of RM0.88 per share in respect of the Public Issue Shares which are required to be underwritten. In addition, the Managing Underwriter will receive a managing underwriter fee of RM20,000 payable by the Company

Placement fees shall be payable by the Company to the Placement Agent in respect of the 2,000,000 Public Issue Shares at the rate of 1.75% of the issue price of RM0.88 per share.

2.11 Salient Terms of the Underwriting Agreement

A conditional underwriting agreement was entered into between the Company, Managing Underwriter and Underwriters on 15 January 2004 for the underwriting of 6,000,000 Public Issue Shares to be issued, at an underwriting commission of 1.75% of the issue price of RM0.88 per share.

2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)

Some of the salient terms of the Underwriting Agreement are reproduced as follows:

"6 Condition

- 6.1 *The approval in principle from the MASEB for admission of the Company and for quotation of the entire issued and paid-up share capital of the Company on the Second Board being obtained and the SC's approval being obtained for the Prospectus on terms acceptable to the Managing Underwriter; and if such approvals shall be conditional, (all conditions thereto being its terms acceptable to the Managing Underwriter), and the Managing Underwriter being reasonably satisfied that such listing and quotation will be granted within two (2) Market Days after MASEB is in receipt of the application for the quotation of the Public Issue Shares together with the requisite documents and confirmations; and*
- 6.1:2 *the Prospectus as described in Clause 7 of this Agreement being lodged with SSM and registered with SC under section 42 of CA (and the certificate of such registration being issued).*
- 6.1:3 *Such other approvals by governmental, public or regulatory authorities in Malaysia (if any) being obtained as the Managing Underwriter may in its reasonable opinion consider necessary for the Public Issue.*
- 6.1:4 *That there not having been, on or prior to the Closing Date in the reasonable opinion of the Managing Underwriter, any adverse change or any development reasonably likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company, from that expressly described in the Prospectus, which is material in the context of the issue of the Public Issue Shares nor the occurrence of any event and / or fact rendering untrue or incorrect to an extent which is material as aforesaid any of the Representations and Warranties as or though they had been repeated or made on such date.*

by the Termination Date.

If any of the foregoing conditions is not satisfied on or before the Closing Date, the Managing Underwriter and the Underwriters shall thereupon be entitled (but not bound to) by notice in writing, to terminate this Agreement and in that event (except for the liability of the Company herein hereof for the payment of cost and expenses incurred prior to or in connection with such termination) the parties hereto shall be released and discharged from their obligations hereunder PROVIDED THAT the Managing Underwriter and any of the Underwriters may at their discretion (but with respect only to their own obligations) waive or modify the compliance with any of the provisions of this clause.

- 6.2 *Notwithstanding anything to the contrary herein contained, the Managing Underwriter and the Underwriters may at any time before the Closing Date by notice in writing terminate their obligations under this Agreement if in the reasonable opinion of at least two (2) underwriter(s), inclusive of the Managing Underwriter, underwriting in aggregate not less than EIGHTY THREE per cent (83%) of the Underwritten Shares there shall have been;*
- (a) *a material change in the national or international monetary financial political or economic conditions or a significantly material and adverse change in the stock market condition or exchange control or currency exchange rates in Malaysia as would in their reasonable opinion of the Managing Underwriter and the Underwriters prejudice materially the success of the issue and the offering of the Public Issue Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market);*
- (b) *any withholding of information from the Managing Underwriter and the Underwriters;*

2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)

- (c) *a change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series or series of events beyond the reasonable control of the Managing Underwriter or any of the Underwriters (including without limitation acts of government, strikes, look-outs, fire, explosions, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which or is likely to the reasonable opinion of the Managing Underwriter have any effect of making any material part of this Agreement incapable of performance with its terms pursuant to the underwriting hereof;*

and thereupon the Company, the Managing Underwriter and the Underwriters shall be released and discharged from their respective obligations hereunder and all the costs and expenses referred to in Clause 24 hereunder shall be payable by the Company to the Managing Underwriter and the Underwriters.

The Managing Underwriter and the Underwriters may at any time before the allotment of the Public Issue Shares terminate their obligations under the Agreement in their reasonable opinion there shall have been occurred events stipulated under Clause 6.2(a), (b) and/or (c) hereof. Upon such termination, the parties hereto shall be released and discharged from their obligations hereunder and the Company shall bear the costs and expenses incurred prior to or in connection with such termination, save that each party shall return any moneys paid in advance to the other under this Agreement within 5 Market Days from the date of receipt of such notice of termination.

- 6.3 *The Company shall use all reasonable endeavours to procure that the Conditions are satisfied.*
- 6.4 *Subject to such waiver not resulting in a breach of any law, rule, regulation or requirement, the Managing Underwriter and the Underwriters may waive all or any of the Conditions.*
- 6.5 *The Managing Underwriter may with the consent of another Underwriter waive all or any of the Conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with this Agreement.*
- 6.6 *The applications of the Managing Underwriter and each of the Underwriters shall be on the terms and conditions set forth in the Prospectus in the form registered with SC."*

"13 Termination

- "13.1 *The Managing Underwriter and any of the Underwriters may at any time not later than 2 Market Days after the Closing Date by notice to the Company terminate this Agreement if:*

13.1:1 *any event, change, information, action and/or omission which in the reasonable opinion of the Managing Underwriter would adversely effect the Public Issue Exercise;*

13.1:2 *any breach of any of the Representations and Warranties or any law or governmental regulation which in the reasonable opinion of the Managing Underwriter would effect the business of the Group (taken as a whole) comes to the knowledge of the Managing Underwriter; or*

13.1:3 *any Specified Event comes to the knowledge of the Managing Underwriter; or*

2.0 DETAILS OF THE PUBLIC ISSUE (Cont'd)

- 13.1:4 there is since the Agreement Date, any change or any development involving a prospective change, in national or international monetary, financial, political, economic or market conditions (including without limitation) conditions on the stock market in Kuala Lumpur and overseas which has resulted or is in the reasonable opinion of the Managing Underwriter likely to result in :*
- 13.1:4.1 the business of the Group (taken as a whole) being materially and prejudicially affected; or*
- 13.1:4.2 the average MSEB composite index for 5 consecutive market days falls below 530 points on or before the closing Date; or*
- 13.1:4.3 it becoming for any reason uncommercial or otherwise contrary to or outside the usual commercial customs or practices of Malaysia for the Underwriters to observe or perform or be obliged to observe or perform the terms of this Agreement or the Public Issue; or*
- 13.1:4.4 the success of the Public Issue being materially prejudiced; or*
- 13.1:4 there is any change in the law or governmental regulation or other occurrence of any nature whatsoever which, in the reasonable opinion of the Managing Underwriter seriously affects or will seriously affect the Public Issue makes it inadvisable or inexpedient to proceed with the Public Issue."*

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3.0 RISK FACTORS

Before making an investment decision, potential investors should carefully consider the following risk factors (which are not exhaustive) in addition to all the other relevant information contained elsewhere in this Prospectus, before applying for the Public Issue Shares.

3.1 No Prior Market for UDS Shares

Prior to this Public Issue, there has been no public market for UDS shares. The issue price of RM0.88 per share has been determined after taking into consideration a number of factors, including but not limited to UDS's financial history and operating conditions, its prospects and the prospects for the industry in which UDS operates. There can be no assurance that the issue price will correspond to the price at which UDS shares will trade on the Second Board of the MSEB upon or subsequent to its listing or that an active market for UDS shares will develop or, if developed, that such market will be sustained.

3.2 Control by Substantial Shareholders

Upon completion of the Public Issue, the substantial shareholders of UDS comprising Koh Low @ Koh Kim Toon, Neo Tiam Hock, Kenanga Arif Sdn Bhd and Impresif Irama Sdn Bhd, will effectively and collectively hold 47.09% equity interest in UDS. As a result, they will be able to control the outcome of matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities or the proposal requires a special resolution to be passed which requires 75% majority vote. Details of the shareholdings of substantial shareholders of UDS are set out under Section 5.1.3 of this Prospectus. The structure of the Group is such that members of the Board and management have its own independent functions but overall decisions are made on a collective basis. There are certain control procedures in place to ensure business decisions are made on rational and independent basis and not through undue influence by any one party.

3.3 Business Risks

The Group is not isolated from general business risks as well as risks inherent in the manufacturing industry and those specific to the furniture and fixtures manufacturing industry. For example, the Group may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in skilled labour supply, changes in the law and tax legislation affecting the industry, increased production costs, changes in business and credit conditions, fluctuations in foreign exchange rates and introduction of new technologies.

Although the Group seeks to limit these risks through, inter-alia, maintaining good business relationships with its customers and suppliers, increasing automation to reduce dependency on labour, and efficient cost control, increasing product range, no assurance can be given that a change in any of these factors will not have a material adverse effect on the Group's business.

3.4 Competition

Like in any industry, the Group faces competition from other operators, domestically, regionally and internationally. Emerging furniture manufacturing nations such as China and Vietnam has given rise to increased competition within the furniture-making segment. China's accession into the World Trade Organisation will create greater competition in terms of cost competitiveness whilst India's furniture industry is also gaining demand in the Western countries.

Although the management of UDS will continue to adopt the appropriate strategies to enhance its competitive advantage, there is no assurance that the Group will be able to maintain its existing pricing structure and market share in the local and export markets in the future.

3.0 RISK FACTORS (Cont'd)

3.5 Foreign Exchange Risks

For the financial year ended 31 August 2003, approximately 36% of the UDS Group's total sales are exported, of which almost all are denominated in USD, whilst imports account for approximately 19% of the Group's total purchases.

Although the risk of foreign exchange fluctuations has been limited since the imposition of currency control with a fixed exchange rate of RM3.80 to USD1.00 on 1 September 1998, there can be no assurance that the uplifting of the aforesaid currency control or a change in the aforesaid fixed exchange rate will not have an adverse impact on the UDS Group's business.

3.6 Cyclical or Seasonal Sales

In general, the furniture and fixtures industry is seasonal with the demand for furniture and fixtures being high during festive seasons and slow in some other months. The demand for the UDS Group's products however is fairly consistent throughout the past financial year ended 31 August 2003 as the Group's product lines and customer base are diverse, enabling it to manage the seasonal effect better and to keep the impact minimal. The business portfolio of the Group is diverse in terms of export markets as it has a large portfolio of customers around 30 countries in 6 continents.

3.7 Dependency on Key Personnel

The Group believes that its continued success will depend on the abilities and continuous efforts of its existing Directors and key management. The loss of any key member of the Group may, to a certain extent, affect the Group's continued ability to maintain and improve its performance. However, ongoing efforts are presently made by the Group to groom the younger members of the management team to assume more responsibilities, hence ensuring a smooth transition should changes occur. The Group progressively strives to attract and retain skilled personnel by creating promotion opportunities within the Group. However, there can be no assurance that such measures will always be successful in retaining key personnel.

3.8 Insurance Coverage

The UDS Group is exposed to risks such as risks of fire and other emergencies. At present, the Directors of UDS believe that as part of their risk management practice, all the UDS Group's raw materials, finished products and other assets are adequately insured against unforeseen events such as fire, theft, damage, etc. Although the UDS Group seeks to limit these risks, there can be no assurance that the insurance coverage would be adequate for replacement cost of all the assets or any consequential loss arising from the damage or loss of the assets.

3.9 Political, Economic and Regulatory Considerations

Adverse developments in political, economic and regulatory conditions in Malaysia or other countries where UDS markets its products could materially and adversely affect the financial prospects of the Group. Other political, economic and regulatory uncertainties include risks of war, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation.

Whilst the UDS Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

3.0 RISK FACTORS (Cont'd)

3.10 Implication of the ASEAN Free Trade Area (“AFTA”)

Under the AFTA agreement initiated by the ASEAN countries, namely Malaysia, Thailand, Singapore, Indonesia, the Philippines and Brunei, a comprehensive programme of regional reduction has been laid out. The AFTA agreement aims to promote economic co-operation and increase competitive by reducing inter-regional barriers in the ASEAN region. The Common Effective Preferential Tariff (“CEPT”) has proposed for goods traded within the ASEAN region.

Although the implementation of AFTA will increase competition for the UDS Group, especially from lower cost producing countries, the Directors of UDS are of the view that this may also offer opportunities for the UDS Group. The UDS Group may be able to import certain raw materials at a cheaper rate thereby enabling the UDS Group to sell their products at a cheaper price and the opportunity to export their products to other ASEAN countries without any trade restrictions. However, no assurance can be given that the UDS Group will be able to successfully compete with other ASEAN countries.

3.11 Risk of Business Disruptions

Risks which are inherent in the Group’s business operations include risks of fire, electric power crisis and other risks which could affect the operations and financial performance of the UDS Group. In attempting to address these inherent risks, the Group has in place the following risk management practices/plans:-

- (i) safety committees consisting of representatives from various sections/departments of the UDS Group to manage and carry out safety work procedures.
- (ii) The factory premises are guarded 24 hours by a minimum of 2 guards.
- (iii) Personnel from the Fire Department conduct fire drill exercises/training from time to time.
- (iv) Fire fighting system, i.e. fire hydrants and hose reels, fire extinguishers, and sprinkler systems are installed in the Group’s factory premises and corporate offices. In addition, the Group’s premises at PTD 6001, Jalan Perindustrian 5, Kawasan Perindustrian Bukit Bakri, Batu 8, Muar has been certified by the Fire and Rescue Department of Malaysia for compliance with life safety, fire prevention, fire protection and fire-fighting requirements of the Fire Services Act 1988 on 10 October 2003 subject to annual renewal.

However, no assurance can be given that even with the existing risk management practices/plans in place, the business operations of the Group will not be affected in the event one or a combination of operational risk factors do crystallise.

3.12 Shortage of Skilled Labour

The furniture industry is a labour intensive industry. Skilled labour in the areas such as designing and finishing treatments, and marketing are important.

Shortages in these skills would have an impact on the UDS Group’s business. According to the Directors of the UDS, the Group has not experienced any shortage of such types of skilled labour thus far. Notwithstanding the above, there can be no assurance that such a problem will not arise in the future. Besides that, the Group is also equipped with automated machinery for certain production processes to reduce its dependence on labour skills.

3.13 Profit Forecast

This Prospectus contains the consolidated profit forecast of the UDS Group for the financial year ending 31 August 2004 which is based on assumptions that are subject to uncertainties and contingencies. The Directors have considered the assumptions used in the preparation of the profit forecast to be reasonable. Because of the subjective judgements and inherent uncertainties of profit forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual results may be materially different from those shown or expected. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the profit forecast contained herein.

3.0 RISK FACTORS (Cont'd)

3.14 Forward Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and others are forward looking in nature which are subject to uncertainties and contingencies.

All forward looking statements are based on estimate and assumptions made by the Directors and although believed to be reasonable are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievement expressed or implied in such forward looking statements. Such factors include, inter alia, general economic and business conditions, competition, the impact of new laws and regulations affecting UDS and the industry, changes in interest rates and changes in foreign exchange rates.

3.15 Delay In or Failure of the Listing

There is a risk that the listing exercise may be delayed or failed should any of the following events occur:-

- (i) The Managing Underwriter and/or the Underwriters exercise their rights pursuant to the underwriting agreement, discharging themselves from their obligations thereunder;
- (ii) The places fail to subscribe for the portion of the Public Issue Shares allocated to them;
- (iii) The Bumiputera investors approved by the MITI fail to subscribe for the portion of the Public Issue Shares allocated to them; and
- (iv) The Company is unable to meet the public spread requirement, that is at least 25% of the total number of shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each.

Although the Directors of UDS will continue to ensure compliance by the UDS Group of the various listing requirements, no assurance can be given that the abovementioned factors will not cause a delay in or failure of the listing.

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