

#### 4.0 INFORMATION ON THE UDS GROUP

##### 4.1 History and Principal Activities

UDS was incorporated in Malaysia on 28 December 1999 as a private company limited by shares under the Companies Act, 1965 as AE Victronic Group Sdn Bhd. The Company was subsequently converted to a public limited company on 21 March 2000 and changed its name to UDSIN Group Berhad on 30 October 2002. On 25 November 2002, it changed its name to UDS Capital Berhad. UDS commenced operations on 1 December 2003 as an investment holding company.

UDS is principally an investment holding whilst the principal activities of its subsidiary companies are as follows:-

Name of Company	Effective Equity Interest %	Principal Activity
UDT	100.00	Trading of furniture, plywood, small hardware, parts and equipment dealing
SWS	100.00	Manufacture of settees and sofas
UDI	99.42	Manufacture of packing staples and nails
UDP	100.00	Manufacture of office and kitchen furniture and related products and lamination operations
DA #	50.10	Property investment
EGT ^	100.00	Property investment
UDW ^	70.00	Manufacture of wooden furniture and sub-contract for furniture companies
ORI *	100.00	Property investment
SI *	100.00	Property investment

Notes: -

# subsidiary company of UDT.

^ subsidiary companies of UDP.

\* subsidiary companies of SWS.

As at 6 February 2004 (being the latest practicable date prior to the printing of this Prospectus), the UDS Group does not have any associated company.

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.2 Share Capital**

The current authorised share capital of UDS is RM50,000,000 comprising 100,000,000 shares of which 64,800,000 shares are currently issued and fully paid-up.

The changes in the issued and paid-up share capital of UDS since its incorporation are as follows: -

Date of Allotment	No. of Shares Allotted	Par Value	Consideration/Reason	Issued and Paid-up Share Capital
		RM		RM
28.12.1999	2	1.00	Subscribers' shares	2
29.06.2002	49,998	1.00	Cash	50,000
30.11.2003	21,722,187	1.00	Issued pursuant to the UDT Acquisition	21,772,187
30.11.2003	5,329,820	1.00	Issued pursuant to the SWS Acquisition	27,102,007
22.12.2003	5,297,993	1.00	Issued pursuant to the Rights Issue	32,400,000
09.01.2004	*	0.50	Share Split	32,400,000

Note:-

- \* The entire 32,400,000 ordinary shares of RM1.00 each was sub-divided into 64,800,000 shares of RM0.50 each in UDS.

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.3 Restructuring and Listing Scheme**

In conjunction with and as an integral part of the listing exercise of UDS on the Second Board of the MSEC, the Company undertook the following exercises which were approved by the FIC on 28 April 2003, the MTTI on 23 July 2003, 2 October 2003 and 19 January 2004 and the SC on 30 September 2003, 8 January 2004 and 13 February 2004:-

**(a) UDT Acquisition**

UDS had on 30 November 2003 acquired the entire issued and paid-up share capital of UDT comprising 1,300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM23,134,129 based on the audited consolidated NTA of UDT as at 31 August 2002 which was satisfied by the issuance of 21,722,187 new ordinary shares of RM1.00 each in UDS at an issue price of approximately RM1.07 per ordinary share of RM1.00 each.

The 21,722,187 new ordinary shares of RM1.00 each in UDS were issued to the vendors of UDT as follows:-

Vendors of UDT	No. of UDT Shares ←----- held -----→		No. of New UDS Shares ←----- Issued -----→	
	No. of Ordinary Shares of RM1.00 each	%	No. of Ordinary Shares of RM1.00 each	%
Koh Low @ Koh Kim Toon	508,592	39.12	8,498,254	39.12
Ng Ah Leet @ Ah Heet	93,208	7.17	1,557,447	7.17
Ng Sey Wee @ Ang Seh Wee	74,998	5.77	1,253,170	5.77
Pi Siu Chan @ Pee Koon Fook	61,200	4.71	1,022,614	4.71
Tsai Ming Fang	50,000	3.85	835,469	3.85
Tan Ah Ba @ Tan Choon Heng	33,300	2.56	556,422	2.56
Koh Chon Chai	31,002	2.38	518,024	2.38
Koh Choon Seng	30,620	2.36	511,641	2.36
Koh Soo @ Koh Kim Chiu	30,620	2.36	511,641	2.36
Koo Kek	24,000	1.84	401,025	1.84
Koh Ah Kee	20,830	1.60	348,056	1.60
Koh Ken	20,830	1.60	348,056	1.60
Tee Chap	20,800	1.60	347,555	1.60
Dato' Tan King Tai @ Tan Khoon Hai	20,000	1.54	334,188	1.54
Kenanga Arif Sdn Bhd	225,000	17.31	3,759,609	17.31
Orchid City Sdn Bhd	55,000	4.23	919,016	4.23
	<u>1,300,000</u>	<u>100.00</u>	<u>21,722,187</u>	<u>100.00</u>

Subsequent to the UDT Acquisition, UDS had on 1 December 2003 acquired 99.42% equity interest in UDI and 100.00% equity interest in UDP from UDT for a total cash consideration of RM8,864,718, based on the audited NTA value of UDI and the consolidated NTA value of UDP as at 31 August 2002.

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****(b) SWS Acquisition**

UDS had on 30 November 2003 acquired the entire issued and paid-up share capital of SWS comprising 750,000 ordinary shares of RM1.00 each for a total purchase consideration of RM5,676,258 based on the audited consolidated NTA of SWS as at 31 August 2002 which was satisfied by the issuance of 5,329,820 new ordinary shares of RM1.00 each in UDS at an issue price of approximately RM1.07 per ordinary share of RM1.00 each.

The 5,329,820 new ordinary shares of RM1.00 each in UDS were issued to the vendors of SWS as follows:-

<b>Vendors of SWS</b>	<b>No. of SWS Shares held</b>		<b>No. of New UDS Shares Issued</b>	
	<b>No. of Ordinary Shares of RM1.00 each</b>	<b>%</b>	<b>No. of Ordinary Shares of RM1.00 each</b>	<b>%</b>
Neo Tiam Hock	233,332	31.11	1,658,157	31.11
Neo Chee Kiat	133,332	17.78	947,514	17.78
Neo Chee How	66,668	8.89	473,771	8.89
Neo Chee Hsian	66,668	8.89	473,771	8.89
Dato' Tan King Tai @ Tan Khoon Hai	25,000	3.33	177,661	3.33
Impresif Irama Sdn Bhd	200,000	26.67	1,421,285	26.67
Irama Jiwa Sdn Bhd	25,000	3.33	177,661	3.33
	<b>750,000</b>	<b>100.00</b>	<b>5,329,820</b>	<b>100.00</b>

Upon completion of the Acquisitions, the issued and paid-up share capital of UDS increased from RM50,000 comprising 50,000 ordinary shares of RM1.00 each to RM27,102,007 comprising 27,102,007 ordinary shares of RM1.00 each. All the 27,052,007 new ordinary shares of RM1.00 each issued pursuant to the UDT Acquisition and SWS Acquisition shall rank pari passu in all respects with the existing shares of UDS and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

**(c) Rights Issue**

UDS carried out a rights issue of 5,297,993 new ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share of RM1.00 each on the basis of approximately 19.55 new ordinary shares of RM1.00 each for every 100 existing ordinary shares of RM1.00 each held in UDS based on the issued and paid-up share capital of 27,102,007 ordinary shares of RM1.00 each after the Acquisitions.

The proceeds raised from the Rights Issue of RM5,297,993 will be utilised in the manner as detailed in Section 2.8 of this Prospectus.

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)**

Certain shareholders renounced proportionately a total of 3,266,407 new shares at par in UDS to the existing Bumiputera shareholders as follows: -

<b>Name</b>	<b>Entitlement to Rights Shares</b>	<b>No. of Rights Shares Renounced</b>	<b>No. of Rights Shares Subscribed</b>
Koh Low @ Koh Kim Toon	1,661,268	(1,661,268)	-
Ng Ah Leet @ Ah Heet	304,455	(304,455)	-
Ng Sey Wee @ Ang Seh Wee	244,974	(244,974)	-
Pi Siu Chan @ Pee Koon Fook	199,904	(199,904)	-
Tsai Ming Fang	163,320	(163,320)	-
Tan Ah Ba @ Tan Choon Heng	108,771	(108,771)	-
Koh Chon Chai	101,265	(101,265)	-
Koh Choon Seng	100,018	(100,018)	-
Koh Soo @ Koh Kim Chiu	100,018	(100,018)	-
Dato' Tan King Tai @ Tan Khoon Hai	100,058	-	100,058
Koo Kek	78,394	(78,394)	-
Koh Ah Kee	68,039	(68,039)	-
Koh Ken	68,039	(68,039)	-
Tee Chap	67,942	(67,942)	-
Kenanga Arif Sdn Bhd	734,941	-	734,941
Orchid City Sdn Bhd	179,652	899,000	1,078,652
Neo Tiam Hock	324,142	-	324,142
Neo Chee Kiat	185,223	-	185,223
Neo Chee How	92,614	-	92,614
Neo Chee Hsian	92,614	-	92,614
Impresif Irama Sdn Bhd	277,838	2,100,000	2,377,838
Irama Jiwa Sdn Bhd	34,730	267,407	302,137
Siew Diong Choong	4,887	-	4,887
Phnuah Lih Ping	4,887	-	4,887
	<u>5,297,993</u>	<u>-</u>	<u>5,297,993</u>

The Rights Issue was completed on 22 December 2003.

**(d) Share Split**

After the Acquisitions and Rights Issue, on 22 December 2003, UDS undertook a sub-division in the par value of its ordinary shares from RM1.00 to RM0.50. Consequently, the issued and paid-up share capital of UDS of 32,400,000 ordinary shares of RM1.00 each was converted to 64,800,000 ordinary shares of RM0.50 each. The Share Split was approved by the SC vide its letter dated 8 January 2004.

**(e) Public Issue**

In conjunction with its listing on the Second Board of the MSEB, UDS will undertake the Public Issue in the following manner:-

- (i) 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;
- (ii) 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;
- (iii) 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"); and
- (iv) 3,200,000 Public Issue Shares to be reserved for Bumiputera investors approved by MITI.

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)**

Upon completion of the Public Issue, the issued and paid-up share capital of UDS will increase from RM32,400,000 comprising 64,800,000 shares to RM40,000,000 comprising 80,000,000 shares. The Public Issue Shares will represent 19.00% of the said enlarged issued and paid-up share capital.

**(f) Listing and Quotation on the MSEB**

UDS will submit an application to the MSEB for the listing of and quotation for the entire issued and paid-up share capital of UDS of 80,000,000 shares on the Second Board of the MSEB.

**4.4 Business Overview****4.4.1 Background**

UDS is principally an investment holding company. The business activities of the Group can be classified into two divisions i.e. (a) manufacturing and trading of wood-based furniture, fixtures and pneumatic fasteners and (b) manufacturing and sale of upholstered furniture (settees and sofas).

The activities of the wood-based furniture, fixtures and accessories division which is undertaken by UDT, UDI, UDP and UDW involves the following :-

- (i) Value-added furniture manufacturing services such as the lamination and moulding of particle boards, MDF boards and plywood into laminated boards such as kitchen worktops under its own brand name "*panform*", custom-made decorative boards, antique finishing laminated boards and others. These products are supplied to other furniture manufacturers;
- (ii) manufacturing of pneumatic fasteners such as air nails, air staples and coil nails which are sold by the UDS Group under its own brand name "*UD*";
- (iii) manufacturing of kitchen and living room furniture; and
- (iv) general trading of furniture products and equipment.

The manufacturing and sale of upholstered furniture is undertaken by SWS, which focuses more on original design manufacturing and customised design backed by its in-house R&D know-how and high quality manufacturing process. Made mainly of leather and fabric, these products are exported to overseas markets such as Japan, Europe, the United States, Middle East, Australia and others.

For the financial year ended 31 August 2003, approximately 36% of the Group's revenue is export sales, approximately 25% of the Group's revenue is indirect export sales ie. further processed and ultimately exported to overseas market and the balance of 39% is local market sales.

The Group has won the following awards:-

	Year	Awards
UDT	2003	- Golden Bull Award 2003 (Malaysia's 100 outstanding SMEs by Nanyang Siang Pau, one of the national chinese daily press)
SWS	2000	- First prize of Innovative Furniture Design Award by Malaysia Furniture Export Exhibition ("MAFEX") 2000
	2001	- First runner-up of Innovative Furniture Design Award by MAFEX 2001.
	2003	- First Prize of Best Product Design Competition Living Furniture Category by MAFEX 2003
		- First Prize of Best Product Design Competition Manufacturer Category by MAFEX 2003
		- Golden Bull Award 2003 (Malaysia's 100 outstanding SMEs by Nanyang Siang Pau, one of the national chinese daily press)

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.4.2 UDS's Group Structure**

The group structure and principal activities of the UDS Group are summarised in Section 1.1 of this Prospectus.

**4.4.3 Principal Products**

The UDS Group's products can be categorised as follows:-

**Wood-based furniture, fixtures and accessories division**

	Category	Product	FMS/ Manufacturing	Local/Export Market
(a)	Lamination	(i) Laminated boards (ii) Laminated kitchen worktops (iii) Others	FMS	Local/Indirect export
(b)	Pneumatic Fasteners	(i) Air nails (ii) Air staples (iii) Coil nails (iv) Others	Manufacturing	Local/ Indirect export
(c)	Wooden Furniture	(i) Buffet and hutch sets (ii) Dining sets (iii) Bedroom sets (iv) Living sets (v) Contract manufacturing of wooden furniture components	Manufacturing  FMS	Export  Local/Indirect export

**Upholstered furniture division**

	Category	Product	FMS/ Manufacturing	Local/Export Market
(d)	Settees & Sofas	(i) Modern design (ii) Classic design (iii) Wooden design (iv) Recliner	Manufacturing	Local/Export

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****(a) Lamination**

Lamination involves the lamination of various types and sizes of decorative materials such as PU, PVC soft sheets and foil paper onto panels, such as plywood and chipboard. The range of products is as follows:-

	Product	Type of boards	Type of decorative papers	Size (range) (Length x width x thickness)
1.	Laminated boards	Particle chipboard	PU (30 grams per meter square ("g/m <sup>2</sup> "))	4' x 8' x 3 millimeters ("mm")
		MDF Board	Foil paper (50-80 g/m <sup>2</sup> )	4' x 8' x 4.75mm 4' x 8' x 6mm
		Plywood	PVC Plastic soft sheet	4' x 8' x 9mm 4' x 8' x 12mm 4' x 8' x 15mm 4' x 8' x 18mm 4' x 8' x 25mm
2.	Laminated kitchen workstops	V313 Grade chipboard	High pressure laminator (HPL)	4' x 12' x 18mm

**(b) Pneumatic fasteners**

The pneumatic fasteners are manufactured in various sizes and sold under the Group's own brand name, "UD". The product range is as follows:-

	Product	Type	Sizes produced ( mm x mm)	Market Segment
1.	Air nails	T Type	25mm x 1.53mm 32mm x 1.53mm 45mm x 1.53mm 50mm x 1.53mm 64mm x 1.53mm	Wooden furniture industry
		F Type	10mm x 1.18mm 15mm x 1.18mm 20mm x 1.18mm 25mm x 1.18mm 30mm x 1.18mm 40mm x 1.18mm	
2.	Air staples	U Type	34mm x 15mm x 1.55mm 4mm x 38mm x 1.20mm	Wooden furniture industry
		J Type	4mm x 19mm x 0.9mm 10mm x 10mm x 0.9mm	
3.	Coil nails	Shrew Shank	50mm x 2.5mm 65mm x 2.5mm	Wooden furniture industry
		Smooth Shank Type	32mm x 2.10mm 45mm x 2.10mm 50mm x 2.10mm 50mm x 2.3mm 50mm x 2.5mm 65mm x 2.5mm	



**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****(c) Wooden furniture**

The Group manufactures wooden furniture for the export market. The types of products manufactured are as follows:-

	Product	Design	Type of materials	Countries of export
1.	Buffet & Hutch sets	Curios	Mixture of solid rubber wood frame and laminated boards for the doors, side panels, and shelves	United States, United Kingdom, Australia, New Zealand, Singapore, Philippines.
		Servers	Mixture of solid rubber wood frame and laminated boards for the doors, side panels, and shelves	United Arab Emirates, United States, United Kingdom, Australia, Singapore, Bahrain, Arab Saudi, Qatar, Finland.
2.	Dining sets	Farm house	Solid rubber wood	United States, United Kingdom, Australia
		Contemporary	Solid rubber wood	United States, United Kingdom, Korea, Japan Australia, New Zealand, Singapore, Philippines, United Arab Emirates, Arab Saudi, Jordan.
		Colonial	Solid rubber wood	United States, United Kingdom, Korea, Australia, New Zealand.
3.	Bedroom sets	Beds	Mixture of solid rubber wood frame and laminated board for the headboard panel	United Kingdom, Arab Saudi, Bahrain, Qatar, United Arab Emirates, New Zealand, Singapore.
		Night Stands	Mixture of solid rubber wood frame and laminated board for the doors and side panel	United Kingdom, Arab Saudi, Bahrain, Qatar, United Arab Emirates, New Zealand, Singapore.
		Chest of drawers	Mixture of solid rubber wood frame and laminated board for the doors and side panel	United Kingdom, Arab Saudi, Bahrain, Qatar, United Arab Emirates, New Zealand, Singapore.
		4 door Wardrobes	Mixture of solid rubber wood frame and laminated board for the doors and side panel	United Kingdom, Arab Saudi, Bahrain, Qatar, United Arab Emirates, New Zealand, Singapore.
		6 door Wardrobes	Mixture of solid rubber wood frame and laminated board for the doors and side panel	United Kingdom, Arab Saudi, Bahrain, Qatar, United Arab Emirates, New Zealand, Singapore.

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)**

	Product	Design	Type of materials	Countries of export
4.	Living sets	TV Cabinet	Mixture of solid rubber wood frame and laminated board for the doors, side panel and shelves	United Arab Emirates, United Kingdom, Australia, Singapore, United States, Bahrain, Arab Saudi, Qatar.
Coffee Table		Solid rubber wood	Australia, New Zealand, Japan.	
End Table		Solid rubber wood	Australia, New Zealand, Japan.	

**(d) Upholstered furniture (settees & sofas)**

The Group manufactures settees and sofas using both leather and fabrics for the export market, which can be categorised as follows:-

	Design	Model	Type of materials	Major Countries of export
1.	Modern design	1182, 1183, 1184, 1185, 1186, 1186C, 252, 353, 8877, 8855W, 901, 902, 958C, 9904, 9321W, Enrico, M Chair, U Chair, Super Miki	Leather, PVC, PU, microfibre and fabric	Australia, Antigua, Bahamas, Bahrain, Belgium, Brunei, France, Germany, Guinea Republic, India, Iraq, Ireland, Jamaica, Japan, Kazakhstan, South Korea, Kuwait, Lebanon, Madagascar, Maldives, Malta, Marshall Island, Martinique,
2.	Classic design	1177, 1199, 1189F, 1189M, 2289, 2290, 5100, 5177, 5200, 5300, 8500, 9001, JUMBO, MEUBLE	Leather, PVC, PU, microfibre and fabric	Netherlands, New Zealand, Oman, Papua New Guinea, The Philippines, Reunion Island, Saudi Arabia,
3.	Wooden design	2255, 328, 6009, 808, 909, 919, Fuji, Logo, Miki, Image	Leather, PVC, PU, microfibre and fabric	South Africa, Spain, Sudan, Sweden, Taiwan, Tajikistan, Uganda,
4.	Recliner (Mechanism design)	Recliner 300, Recliner 500, Recliner 600, Recliner 9888	Leather, PVC, PU, microfibre and fabric	United Arab Emirates, United Kingdom, The United States, Yemen

**4.4.4 Market Positioning**

According to the updated Independent Market Report dated 6 February 2004 prepared by Infocredit D&B,

*"The value-added Furniture Manufacturing Services ("FMS") market recorded an estimated market revenue of RM491.5 million in 2002, an increase of 6.7% from the total market revenue of RM460.6 million in 2001. UDS is ranked 4<sup>th</sup> largest player in the total FMS market in 2002 with a market share estimated at 13.6%.*

*- Our research findings suggest that UDS Group is one of the major exporters of settees and sofas with an estimated market share of 5.50% in the Malaysian upholstery furniture export category in 2002. This is a broad comparison based on a diverse product-mix comprising settees and sofas furniture upholstered from a variety of raw materials from full leather, PVC artificial leather, half leather or fabrics."*

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.4.5 Brand Names, Patents, Trademarks, Licences, Technical Assistance Agreements, Franchise and other Intellectual Property Rights**

Save as disclosed below, the UDS Group does not own any major brand names, trademarks, licences, registered patents, technical assistance agreements, franchises or other intellectual property rights pertaining to the Group.

**(i) Trademarks**

	Brand	Country/ Trade Mark No.	Registrant	Type of Products	Expiry Date
1.	"UD"	Malaysia/ 94000381	UDT	Material for covering floors, carpets, rugs, mat and matting, wall hangings (non-textile), and all included in class 27.	14.01.2011
2.	"UD"	Malaysia/ 94000385	UDT	Chemical products used in industry, science, photography, artificial and synthetic resins, plastics in the form of powders, liquid of pastes for industrial use, adhesive substances used in industry, all included in class 1.	14.01.2011
3.	"panform"	Malaysia	UDP	Office and kitchen furniture and related products - class 20	^
4.	"UD"	Malaysia	UDP	Office and kitchen furniture and related products all included in class 20.	#
5.	"UD"	Malaysia	UDT	Air tacker and pumps included in class 7; condensing installations compressors (machines); motors for use with all aforementioned goods; and parts and fittings included in class 7 for all the aforementioned goods.	*

**Notes:-**

^ Pending issuance of certificate of registration of trademark and it is estimated to obtain the certificate by 31 May 2004.

# Submitted the application for registration of trademark on 27 September 2002 and is now pending gazetting via letter from the Intellectual Property Corporation of Malaysia dated 28 January 2004. The approval is estimated to be obtained by 28 February 2005.

\* Submitted the application for registration of trademark on 6 February 2003 and is now pending gazetting via letter from the Intellectual Property Corporation of Malaysia dated 16 December 2003. The approval is estimated to be obtained by 28 February 2005.

## 4.0 INFORMATION ON THE UDS GROUP (Cont'd)

## (ii) Manufacturing Licence

	Authority/ Type of Licence	Company	Equity Conditions Imposed	Expiry Date	Status of Compliance
1.	MITI/ Manufacturing licence for air nails/staples and coil nails.	UDI	(i) At least 75% of the shares in the Company must be bought and held by Malaysians. If the company has any plans to enlarge the paid-up share capital, the company is required to discuss the equity structure with MITI.	N/A	Met
	MITI/ Manufacturing licence for air nails/staples and coil nails.	UDI	(ii) the company must as far as possible appoint Malaysian-owned companies to distribute its products within the country and must appoint Bumiputera agents to distribute at least 30% of the sales within the country. The selection and appointment of Bumiputera distributors must be effected after consultation with MITI. The appointment of foreign firms as distributors must first have the prior approval of MITI.		To be met. The company had on 15/1/03 and 11/2/2004 submitted letters to MITI for waiver of this condition. In the event that the waiver is not granted by MITI by end of March 2004, the Directors of the company undertake to comply with this condition.
2.	MITI/ Manufacturing licence for wooden furniture and wooden furniture parts	UDP	N/A	N/A	Met
3.	MITI/ Manufacturing licence for sofa sets, furnishing cushions	SWS	N/A	N/A	Met
4.	Majlis Perbandaran Muar	SWS	N/A	December 2004 *	N/A
5.	Majlis Perbandaran Muar	UDT	N/A	December 2004 *	N/A
6.	Majlis Perbandaran Muar	UDI	N/A	December 2004 *	N/A
7.	Majlis Perbandaran Muar	UDP	N/A-	December 2004 *	N/A

Note: -

\* The licences are renewable yearly.

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****(iii) Manufacturer's Licence Under the Sales Tax Act**

	<b>Authority/ Type of Licence</b>	<b>Company</b>	<b>Equity Conditions Imposed</b>	<b>Expiry Date</b>	<b>Status of Compliance</b>
1.	Royal Customs and Excise Malaysia/ Manufacturing of office furniture, kitchen furniture, laminated kitchen top, laminated MDF board, laminated particle board, laminated plywood, Buffet and Hutch, entertainment set, dining set and bedroom set.	UDP	-	N/A	N/A
2.	Royal Customs and Excise Malaysia/ Manufacturing of wood furniture, office furniture, kitchen furniture, Bedroom furniture, buffet and hatch, entertainment set.	UDW	-	N/A	N/A
3.	Royal Customs and Excise Malaysia/ Licence under the Sales Tax Act, 1972 - Manufacturer's licence (for sofa sets, furnishing cushions, wooden furniture part).	SWS	-	N/A	N/A
4.	Royal Customs and Excise Malaysia/ Various approvals to import/ purchase materials and components free of sales tax for use in manufacture of goods.	SWS	-	Application will be made on a yearly basis and approval will be obtained within a month from such application. The expiry date will be one year from the approved date.	Within a year from approval date of the application.

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****(iv) Licence for Furniture Exporter**

	Authority/ Type of Licence	Company	Equity Conditions Imposed	Expiry Date	Status of Compliance
1.	Malaysian Timber Industry Board/ Exporting of timber.	UDT	N/A	30.06.2004 *	N/A
2.	Malaysian Timber Industry Board/ Exporting of timber.	UDP	N/A	31.03.2004 *	N/A

**(v) ISO Certificate**

	Authority/ Type of Certificate	Company	Equity Conditions Imposed	Expiry Date	Status of Compliance
1.	ISO 9001 : 2000	UDT/UDI/ UDP	N/A	02.08.2004 *	N/A
2.	ISO 9001 : 2000	SWS	N/A	03.06.2012 *	N/A

Notes:-

N/A Not applicable

\* The licences/certificates are renewable yearly.

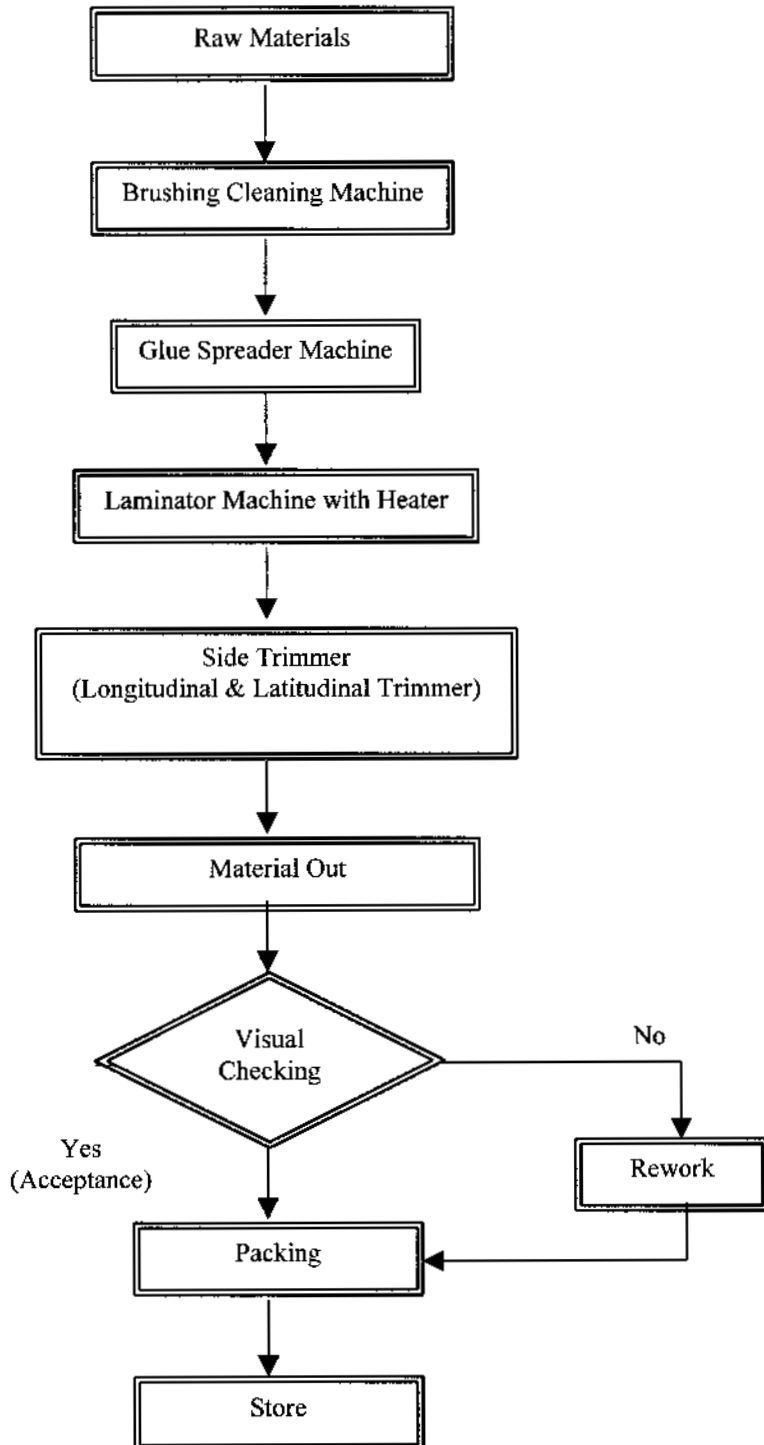
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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)**

**4.4.6 Manufacturing Process**

The manufacturing process for the UDS Group's principal products can be summarised as follows:-

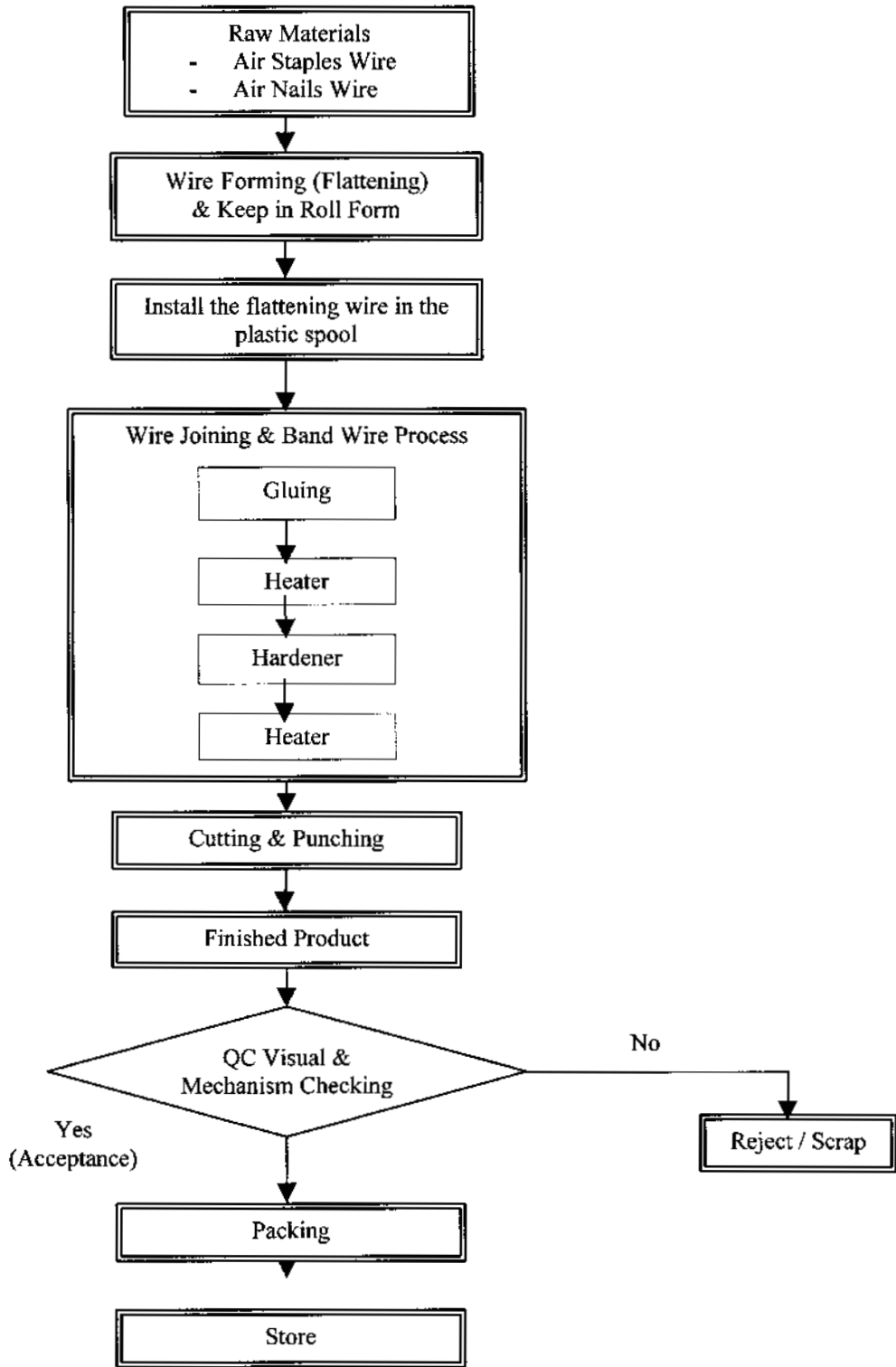
**(a) Board Lamination**



*(Source: Management of UDS)*

4.0 INFORMATION ON THE UDS GROUP (Cont'd)

(b) Pneumatic Fasteners - Air Nails/Air Staples

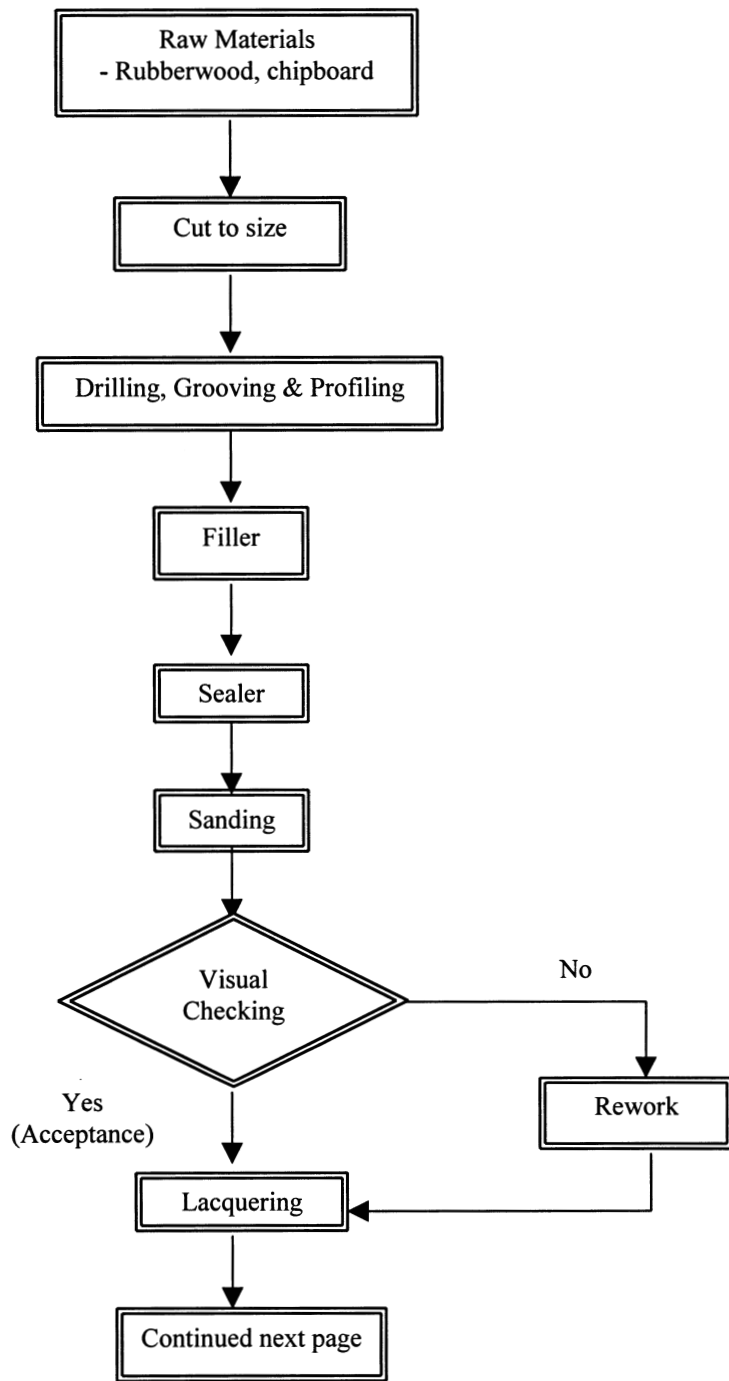


(Source: Management of UDS)

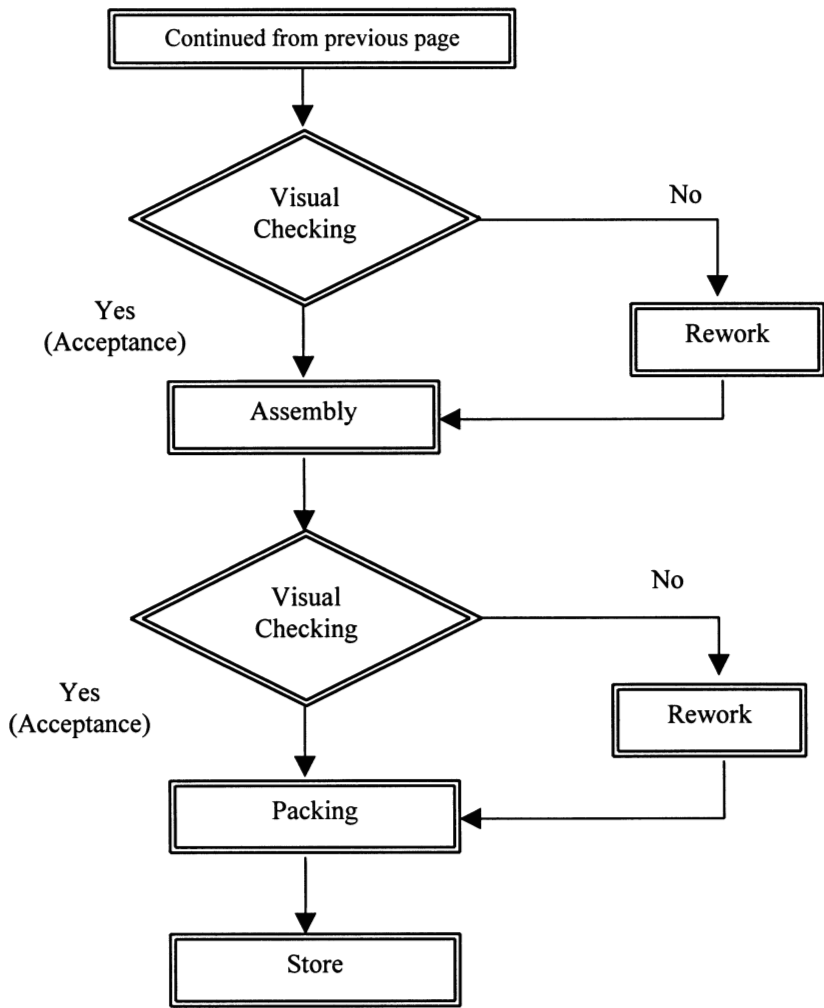


4.0 INFORMATION ON THE UDS GROUP (Cont'd)

(c) Wooden Furniture



4.0 INFORMATION ON THE UDS GROUP (Cont'd)

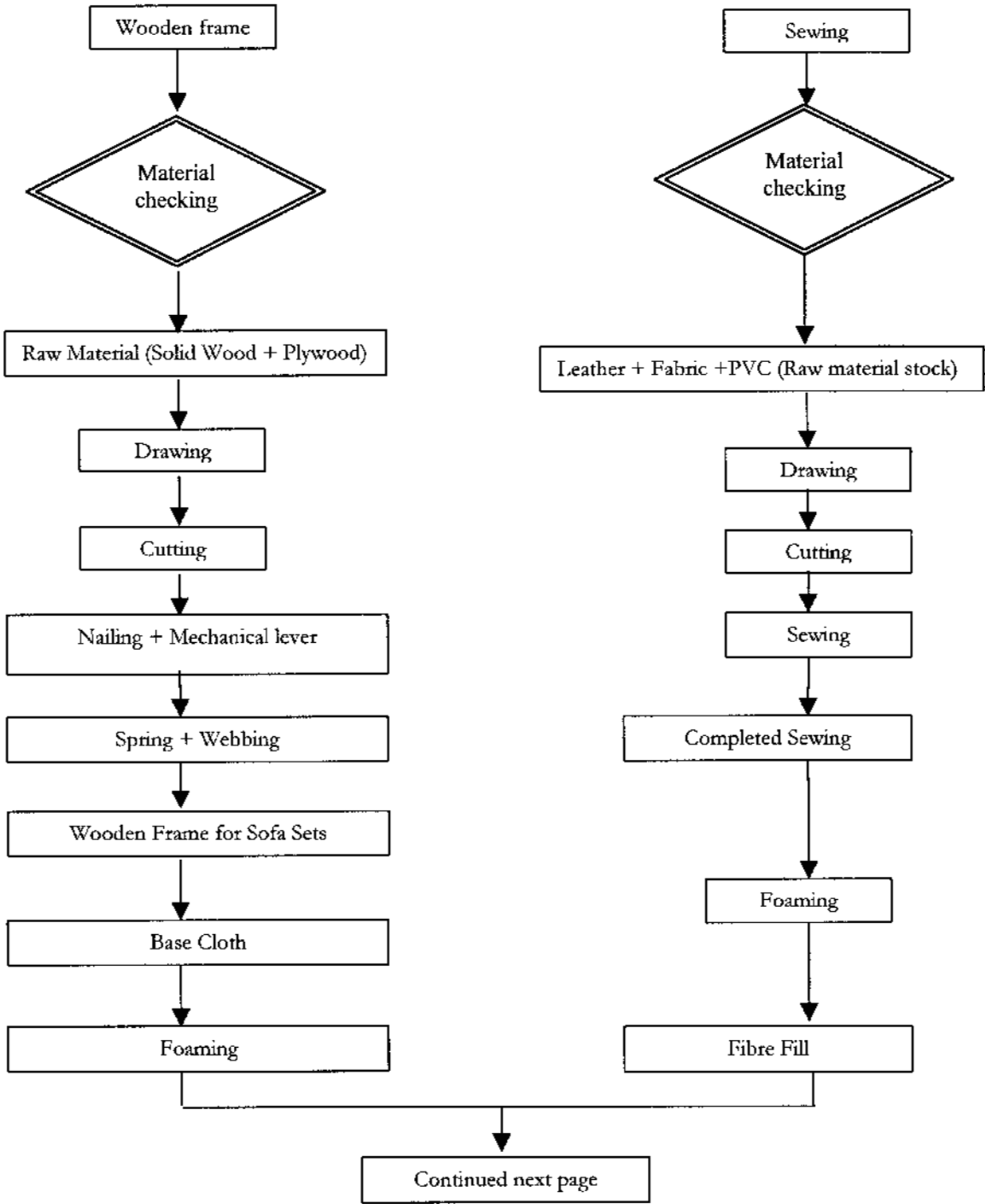


(Source: Management of UDS)

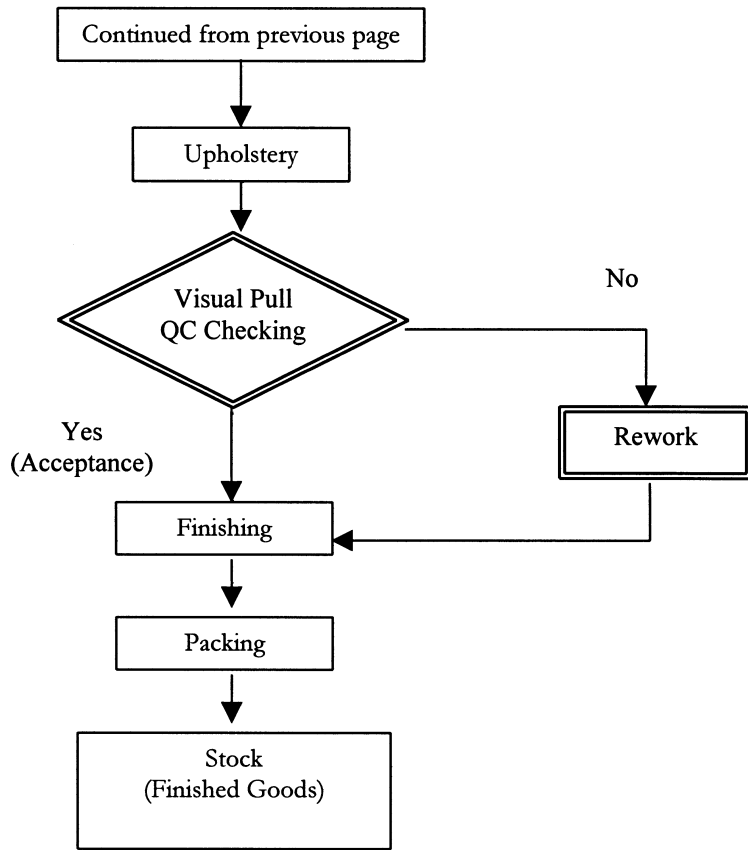
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4.0 INFORMATION ON THE UDS GROUP (Cont'd)

(d) Settees and Sofas



4.0 INFORMATION ON THE UDS GROUP (Cont'd)



(Source: Management of UDS)

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.4.7 Principal Markets**

The principal markets for the UDS Group's products are local as well as regional. For the financial year ended 31 August 2003, its revenue is essentially segmented into the following:-

Division	Export Market		Indirect Export Market		Local Market		Total	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Wood-based furniture, fixtures and accessories	3,316	4.47	18,859	25.43	28,423	38.33	50,598	68.23
Settees and sofas	23,164	31.24	-	-	392	0.53	23,556	31.77
	<u>26,480</u>	<u>35.71</u>	<u>18,859</u>	<u>25.43</u>	<u>28,815</u>	<u>38.86</u>	<u>74,154</u>	<u>100.00</u>

As at 31 August 2003, the UDS Group's export market covered approximately 104 overseas customers around 30 countries in 6 continents. An analysis of the number of customers in the continents that the Group exports to is as follows:-

Continents	Number of customers
Europe	26
Asia	49
Oceania	8
Africa	7
North America	5
South America	9
Total	<u>104</u>

The 104 overseas customers consist of foreign importers, distributors, wholesalers and retailers.

**4.4.8 Sources and Availability of Raw Materials**

The principal raw materials used by the UDS Group in its manufacturing operations include, amongst others, plain chipboard, plywood, glue, wire, rubberwood, lacquer, leather, fabric and solid wood. The UDS Group sources its raw materials from local and foreign suppliers in countries such as Taiwan, Japan, Thailand and Italy.

The Group has approximately 200 suppliers, both locally and overseas. The bulk of the Group's raw materials are bought from local suppliers. For the financial year ended 31 August 2003, approximately 83% of the Group's major raw material requirements are sourced locally in an attempt to minimise costs and to support the Government's call to buy local products. Only approximately 17% of the Group's raw materials, namely furniture hardware, decorative paper, printed pattern paper, foil paper, band wire, copper wire, urea resin glue, hardener glue, fabric and leather, are imported from overseas.

According to the Directors and management team of the UDS Group, they do not foresee any difficulties in sourcing for its major raw materials, as they are readily available in the local market. Competition amongst suppliers ensures competitive pricing for the raw materials required by the Group.

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)**

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**4.4.9 Quality Control**

The UDS Group places the utmost emphasis on the quality of its products in its manufacturing process to produce high quality products to satisfy the demands and expectations of its customers. The Group's main quality control areas are as follows: -

(i) Raw material requisition.

In order to prevent sub-standard materials from entering the production process which would cause a delay in production time and resource wastage, a quality control inspection will be undertaken by the Group's Quality Assurance personnel.

(ii) Process control i.e. lamination, furnishing, designing and sewing.

A quality control inspection will be undertaken by the Group's Quality Assurance personnel at the Group's production lines to enable prompt implementation of corrective measures and high quality finishing.

(iii) Assembly and Packing.

The Group's Quality Assurance personnel will, by way of sampling, assemble furniture parts into end-products before they are packed in order to confirm that these end-products meet customer requirements. After sampling and the end-products confirmed acceptable, the Quality Assurance personnel will check the final packing method to ensure that the end-products will not be damaged during transit.

To-date, the Group has not experienced any significant return of defective goods from its customers.

Furthermore, UDT, UDI and UDP had on 2 August 2001 obtained the ISO 9001:2000 certificate from BM Trada Certification Ltd for quality system manufacturing whilst SWS had on 4 June 2003 obtained the ISO 9001:2000 certificate from BM Trada Certification Ltd for manufacturing of settees and sofas.

**4.4.10 R&D**

The UDS Group recognises the importance of R&D to ensure its business sustainability and success in the long term. The key focus of the Group is for continuous design improvement and quality control to ensure total customer satisfaction and to keep up with the latest furniture trends. The R&D department is also responsible in carrying out R&D in the following areas: -

- (i) Continuous new product designs and development;
- (ii) Product and process improvement with a view towards optimising operational efficiency;
- (iii) Assessing new technology and production processes to be adopted for a new line of products; and
- (iv) Developing new areas for expansion and diversification of business activities and products.

As at 6 February 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group's R&D team consists of 11 employees. The business development and marketing team conducts regular surveys and carries out tracking activities to research on the latest trends and demands from other countries.

For the past three (3) financial years ended 31 August 2003, the Group spent a total of approximately RM1.50 million on R&D which was approximately 0.73% of the Group's turnover for the past three (3) financial years.

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)**

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**4.4.11 Interruptions to Operations**

According to the Directors and Management of the UDS Group, the Group did not experience any disruption in business, which has a significant effect on its operations, for the past twelve (12) months prior to 6 February 2004 (being the latest practicable date prior to the printing of this Prospectus).

**4.4.12 Modes of Marketing/ Distribution**

UDT is the marketing and distribution arm for the majority of UDS's products such as boards, air nails, coil nails and air staples. They focus on regional distribution, ie. northern, central and southern regions. Each region has its own marketing office and warehousing facilities located at Kulim, Kuala Lumpur and Johore Bahru respectively. As at 6 February 2004 (being the latest practicable date prior to the printing of this Prospectus), there are 20 sales employees headed by their respective managers.

One of the UDS Group's main marketing strategies is to actively participate in international trade fairs and exhibitions. They include, amongst others, the following:

- Malaysia Furniture Export Exhibition (MAFEX), Malaysia
- International Home Furnishing Exhibition (HOMES), Malaysia
- Milan Furniture Fair, Italy
- Middle East International Furniture and Interior Design Exhibition (INDEX), Dubai, United Arab Emirates
- South African International Trade Exhibition (SAITEX), South Africa
- Cologne International Furniture Fair, Germany
- Melbourne Fair, Australia
- International Furniture Fair Tokyo (IFFT), Japan
- High Point Market, United States of America

In addition, the Group also markets its products through its own web-site and provides an opportunity for their customers to request for quotation on-line.

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.4.13 Production, Facilities, Capacity and Utilisation**

The UDS Group's manufacturing capacity as at 31 August 2003, based on a 6-day week and a 8-hourly shift is as follows:-

	<b>Built-up Area</b>	<b>Number of Machines</b>	<b>Maximum Capacity Production</b>	<b>Utilisation Rate</b>
	<b>(square feet)</b>	<b>(units)</b>	<b>(per month)</b>	<b>(Approximate %)</b>
<b>Wood-based Furniture, Fixtures and Accessories Division</b>				
Lamination Boards/Kitchen Tops	58,192	65	92,000 faces	75
Air Staples & Air Nails	12,724	35	50,000 Kilograms	80
Coil Nails	14,913	33	5,600 cartons	75
Bedroom/Living Room Sets	10,002	25	300 sets	70
<b>Upholstered furniture (Settees and sofas) Division</b>				
Sofas/settees	150,105	156	2,000 sets	80

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.4.14 Location of Principal Place of Business and Production Facilities**

The location of principal assets, place of business and production facilities of the UDS Group is as follows:-

Location	Description of Usage by UDS Group
PTD 6001, Jalan Perindustrian 5 Kawasan Perindustrian Bukit Bakri Batu 8, 84200 Muar Johor Darul Takzim	(i) Head office of UDS Group  (ii) Factory cum office building of UDT/UDW
Lot 8800, Jalan Perindustrian 5 Kawasan Perindustrian Bukit Bakri Batu 8, 84200 Muar Johor Darul Takzim	Factory building of UDP/UDI
LOT PTD 4085 Kawasan Perindustrian Parit Jamil 84150 Parit Jawa, Muar Johor Darul Takzim	Factory cum office building of SWS

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**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.5 Subsidiary Companies**

Details of the subsidiary companies of UDS are set out below: -

Name of Company	Date/ Place of Incorporation	Authorised Share Capital	Issued and Paid-up Share Capital	Effective Equity Interest %	Principal Activity
UDT	20.05.1982/ Malaysia	RM5,000,000	RM1,300,000	100.00	Trading of furniture, plywood, small hardware, parts and equipment dealing
SWS	8.06.1995/ Malaysia	RM1,000,000	RM750,000	100.00	Manufacture of settees and sofas
UDI	16.01.1990/ Malaysia	RM5,000,000	RM2,735,000	99.42	Manufacture of packing staples and nails
UDP	25.05.1984/ Malaysia	RM1,000,000	RM1,000,000	100.00	Manufacture of office and kitchen furniture and related products and lamination operations
DA #	16.09.1998/ Malaysia	RM100,000	RM100,000	50.10	Property investment
EGT ^	14.09.1999/ Malaysia	RM100,000	RM100,000	100.00	Property investment
UDW ^	17.09.1996/ Malaysia	RM1,000,000	RM320,004	70.00	Manufacture of wooden furniture and sub-contract for furniture companies
ORI *	3.06.1993/ Malaysia	RM100,000	RM100,000	100.00	Property investment
SI *	22.06.1993/ Malaysia	RM500,000	RM500,000	100.00	Property investment

Notes: -

# subsidiary company of UDT.

^ subsidiary companies of UDP.

\* subsidiary companies of SWS.

As at the date of this Prospectus, the UDS Group does not have any associated company.