

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.5.1 UDT****(i) History and Business**

UDT was incorporated in Malaysia on 20 May 1982 as a private limited company under the Companies Act, 1965. The principal activity of UDT is the trading of furniture, plywood, small hardware, parts and equipment dealing.

**(ii) Share Capital**

The present authorised share capital of UDT is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 1,300,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of UDT since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
20.05.1982	4	1.00	Subscribers' shares	4
19.04.1983	70,000	1.00	Issued pursuant to the acquisition of Syarikat Yew Lee Trading (partnership)	70,004
31.12.1984	49,996	1.00	Cash	120,000
14.05.1988	80,000	1.00	Cash	200,000
19.04.1993	50,000	1.00	Cash	250,000
1.12.1993	150,000	1.00	Cash	400,000
13.04.1998	600,000	1.00	Bonus issue 3:2	1,000,000
30.05.2002	300,000	1.00	Cash	1,300,000

**(iii) Subsidiary and Associated Company**

Details of UDT's subsidiary company as at the date of this Prospectus are as follows:-

Name of Company	Date/Place of Incorporation	Effective Equity Interest %	Acquisition Date	Principal Activity
DA	16.09.1998/ Malaysia	50.10	30.06.2002	Property investment.

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

**(iv) Substantial Shareholders**

UDT is a wholly-owned subsidiary company of UDS.

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.5.2 SWS****(i) History and Business**

SWS was incorporated in Malaysia on 8 June 1995 as a private limited company under the Companies Act, 1965. The principal activity of SWS is the manufacture of settees and sofas.

**(ii) Share Capital**

The present authorised share capital of SWS is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which 750,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of SWS since incorporation are as follows :-

<b>Date of Allotment</b>	<b>Number of Ordinary Shares Allotted</b>	<b>Par Value</b>	<b>Consideration</b>	<b>Resultant Issued and Paid-up Share Capital</b>
		<b>RM</b>		<b>RM</b>
8.06.1995	2	1.00	Subscribers' shares	2
10.06.1996	37,198	1.00	Cash	37,200
10.06.1996	37,800	1.00	Business take-over of Sin Wee Seng (sole proprietorship)	75,000
15.08.1997	175,000	1.00	Bonus Issue 7:3	250,000
31.07.2001	250,000	1.00	Bonus Issue 1:1	500,000
29.06.2002	250,000	1.00	Cash	750,000

**(iii) Subsidiary and Associated Company**

Details of SWS's subsidiary companies as at the date of this Prospectus are as follows:-

<b>Name of Company</b>	<b>Date/Place of Incorporation</b>	<b>Effective Equity Interest %</b>	<b>Acquisition Date</b>	<b>Principal Activity</b>
ORI	3.06.1993/ Malaysia	100.00	20.06.2002	Property investment
SI	22.06.1993/ Malaysia	100.00	30.01.1999	Property investment

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

**(iv) Substantial Shareholders**

SWS is a wholly-owned subsidiary company of UDS.

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.5.3 UDI****(i) History and Business**

UDI was incorporated in Malaysia on 16 January 1990 as a private limited company under the Companies Act, 1965. The principal activity of UDI is the manufacture of packing staples and nails.

**(ii) Share Capital**

The present authorised share capital of UDI is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 2,735,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of UDI since incorporation are as follows :-

<b>Date of Allotment</b>	<b>Number of Ordinary Shares Allotted</b>	<b>Par Value</b>	<b>Consideration</b>	<b>Resultant Issued and Paid-up Share Capital</b>
16.01.1990	3	RM 1.00	Subscribers' shares	RM 3
15.04.1995	274,997	1.00	Cash	275,000
15.04.1995	575,000	1.00	Repayment of debt	850,000
2.05.1995	885,000	1.00	Cash	1,735,000
27.07.1996	1,000,000	1.00	Cash	2,735,000

**(iii) Subsidiary and Associated Company**

As at the date of this Prospectus, UDI does not have any subsidiary company or associated company.

**(iv) Substantial Shareholders**

UDI is a wholly-owned subsidiary company of UDS.

**4.5.4 UDP****(i) History and Business**

UDP was incorporated in Malaysia on 25 May 1984 as a private limited company under the Companies Act, 1965. The principal activity of UDP is the manufacture of office and kitchen furniture and related products and laminated operations.

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

The present authorised share capital of UDP is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of UDP since incorporation are as follows: -

<b>Date of Allotment</b>	<b>Number of Ordinary Shares Allotted</b>	<b>Par Value</b>	<b>Consideration</b>	<b>Resultant Issued and Paid-up Share Capital</b>
		<b>RM</b>		<b>RM</b>
25.05.1984	2	1.00	Subscribers' share	2
25.05.1987	39,998	1.00	Cash	40,000
30.06.1995	260,000	1.00	Cash	300,000
11.08.2001	700,000	1.00	Cash	1,000,000

**(iii) Subsidiary and Associated Company**

Details of UDP's subsidiary companies as at the date of this Prospectus are as follows:-

<b>Name of Company</b>	<b>Date/ Place of Incorporation</b>	<b>Effective Equity Interest %</b>	<b>Acquisition Date</b>	<b>Principal Activity</b>
EGT	14.09.1999/ Malaysia	100.00	5.07.2001	Property investment
UDW	17.09.1996/ Malaysia	70.00	12.11.2001	Manufacture of wooden furniture and sub-contract for furniture companies

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

**(iv) Substantial Shareholders**

UDP is a wholly-owned subsidiary company of UDS.

**4.5.5 DA****(i) History and Business**

DA was incorporated in Malaysia on 16 September 1998 as a private limited company under the Companies Act, 1965. The principal activity of DA is property investment.

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

The present authorised share capital of DA is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of DA since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
16.09.1998	2	1.00	Subscribers' shares	2
13.11.1998	9,998	1.00	Cash	10,000
30.06.2002	90,000	1.00	Cash	100,000

**(iii) Subsidiary and Associated Company**

As at the date of this Prospectus, DA does not have any subsidiary company or associated company.

**(iv) Substantial Shareholders**

DA is 50.10% -owned subsidiary company of UDT and the balance 49.90% issued and paid-up share capital of DA is held by Ladang Ternakan Maju Sdn Bhd.

**4.5.6 EGT****(i) History and Business**

EGT was incorporated in Malaysia on 14 September 1999 as a private limited company under the Companies Act, 1965. The principal activity of EGT is property investment.

**(ii) Share Capital**

The present authorised share capital of EGT is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of EGT since incorporation are as follows :-

Date of Allotment	Number of ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
14.09.1999	2	1.00	Subscribers' shares	2
5.07.2001	99,998	1.00	Cash	100,000

**(iii) Subsidiary and Associated Company**

As at the date of this Prospectus, EGT does not have any subsidiary company or associated company.

**(iv) Substantial Shareholders**

EGT is a wholly-owned subsidiary company of UDP.

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.5.7 UDW****(i) History and Business**

UDW was incorporated in Malaysia on 17 September 1996 as a private limited company under the Companies Act, 1965. The principal activity of UDW is the manufacture of wooden furniture and sub-contract for furniture companies.

**(ii) Share Capital**

The present authorised share capital of UDW is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which 320,004 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of UDW since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
17.09.1996	4	1.00	Subscribers' share	4
12.11.2001	320,000	1.00	In exchange for machinery	320,004

**(iii) Subsidiary and Associated Company**

As at the date of this Prospectus, UDW does not have any subsidiary company or associated company.

**(iv) Substantial Shareholders**

UDW is a 70.00%-owned subsidiary company of UDP.

**4.5.8 ORI****(i) History and Business**

ORI was incorporated in Malaysia on 3 June 1993 as a private limited company under the Companies Act, 1965. The principal activity of ORI is property investment.

**(ii) Share Capital**

The present authorised share capital of ORI is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of ORI since incorporation are as follows :-

Date of Allotment	Number of Ordinary Shares Allotted	Par Value	Consideration	Resultant Issued and Paid-up Share Capital
		RM		RM
3.06.1993	2	1.00	Subscribers' share	2
22.02.1994	99,998	1.00	Cash	100,000

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****(iii) Subsidiary and Associated Company**

As at the date of this Prospectus, ORI does not have any subsidiary company or associated company.

**(iv) Substantial Shareholders**

ORI is a wholly-owned subsidiary company of SWS.

**4.5.9 SI****(i) History and Business**

SI was incorporated in Malaysia on 22 June 1993 as a private limited company under the Companies Act, 1965. The principal activity of SI is property investment.

**(ii) Share Capital**

The present authorised share capital of SI is RM500,000 comprising 500,000 ordinary shares of RM1.00 each of which 500,000 ordinary shares of RM1.00 each are issued and fully paid-up. The changes in the issued and paid-up share capital of SI since incorporation are as follows :-

<b>Date of Allotment</b>	<b>Number of Ordinary Shares Allotted</b>	<b>Par Value</b>	<b>Consideration</b>	<b>Resultant Issued and Paid-up Share Capital</b>
22.06.1993	2	RM 1.00	Subscribers' share	RM 2
22.02.1994	99,998	1.00	Cash	100,000
24.03.1997	400,000	1.00	Bonus Issue 4:1	500,000

**(iii) Subsidiary and Associated Company**

As at the date of this Prospectus, SI does not have any subsidiary company or associated company.

**(iv) Substantial Shareholders**

SI is a wholly-owned subsidiary company of SWS.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

---

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


---

**4.6 Industry Overview****4.6.1 Global Economic Outlook**

The global economic outlook showed signs of recovery after a string of adverse shocks occurred in the first half of 2003. The recovery was accompanied by forward looking indicators such as the strengthening of equity markets, a rebound in business and consumer confidence, reduction of interest rates in the Euro area and the United States of America ("U.S.A") and signs of pick-up in investments particularly in the U.S.A., Japan and the Asian emerging markets.

There are regional variations in economic growth. The U.S.A. had remained as the main engine of global growth but emerging markets in Asia, notably China is set to lead the global economic rebound especially now that the Severe Acute Respiratory Syndrome ("SARS") crisis has ceased. The recovery is expected to be more buoyant than the rest of the world, as growth is expected to reach 6.4% by 2004. The robust growth will be driven by rising labour productivity, a rebound in global trade and the information technology ("IT") sector. Although domestic demand growth is becoming broadly based, the recovery for these countries remains dependent on external demand. The prospect of a foreseeable weaker global recovery is a potential risk. International Monetary Fund's ("IMF") growth forecasts for emerging markets in Asia are 5.9% for 2003 and 6.2% for 2004.

The U.S.A. is forecast to chart a stronger Gross Domestic Product ("GDP") growth of 3.9% in 2004, while the Euro area is expected to further improve by 1.9% in 2004. Japan, which has shown further signs of bottoming out, has entered into a recovery mode and is projected to grow by 1.4% in 2004. China, India and Newly Industrialized Asian Economies (Hong Kong Special Administrative Republic, Korea, Singapore, Taiwan) are expected to pose strong GDP growth in 2003 respectively at 7.5%, 5.6% and 2.3% and in 2004 GDP is forecast to grow stronger respectively at 7.5%, 5.9% and 4.2%.

Even in an optimistic year, there are several global downside risks facing the global economy. Softer equity prices and weaker growth in trading partners are also potential threats to growth. Although growth in China as a trading partner should provide some support to the downside, a loss of growth momentum in the demand for electronic products could dampen outlook further. This in turn would hurt industrial production, consumption and investment.

*(Source : Independent Market Report : An Assessment of the Furniture Market in Malaysia dated 10 February 2004, Infocredit D&B)*

**4.6.2 Malaysian Economic Outlook**

The Malaysian economy registered stronger growth at 5.1% in the third quarter of 2003 from 4.5% in the second quarter 2003. The improved performance was mainly driven by the private sector and a low interest rate environment. The pick-up of the private sector was the result of increased consumption and investment coupled with growth in productivity. Going forward, the outlook for the following year is set towards strengthening the country's economic position. Malaysia's GDP is expected to accelerate from 4.5% in 2003 to about 6% in 2004, driven by improving export performance, domestic consumption and private investments. Furthermore, the RM7.3 billion economic stimulus package unveiled on 21 May 2003, swift conclusion of the Iraq war and the end of the SARS epidemic had regained consumer confidence.

External trade performance showed improvements during the first half of 2003 recording a 4.3% growth compared to 2.0% within the corresponding period in 2002. The upsurge was brought about by an upturn demand for rubber products, which increased to 10.7% and the recovery of global electronics demand particularly from the East Asian countries.

Bank Negara Malaysia projects a higher export growth of 5.2% in 2003 compared with 3.6% for 2002. This is in view of the country's success in attracting export-oriented projects, particularly in the electrical machinery and appliance production sectors. According to the MITI, total exports of these products increased by 16.1% year-on-year reaching RM92.3 billion in 2002. Public sector investment and consumption have taken a more passive role in 2002 compared to 2001. The Ministry of Finance expects the private sector to take a more aggressive role in 2003 with private sector investment projected to grow by 14.4% or 13.1% of the GDP.



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

Growth in the manufacturing sector is anticipated to be higher across the board. The manufacturing sector is expected to continue its expansion to record 6.5% increase in output in 2003 and contribute 1.9 percentage points to GDP growth while the services sector recovering from the SARS outbreak recorded higher growth of 4.2%, contributing 2.4 percentage points.

Growth in domestic-oriented industries continued to pick up, registering an increase of 11.5% in 2003 after a sluggish 0.8% growth in 2002. This was brought about by higher consumption level of plastic products where plastic parts for household appliances contributed to the strong growth due to increase in disposable income from the stimulus package and a growing consumer confidence. Meanwhile, the export-oriented industries showed better performance in the first half of 2003, recording a 4.3% growth compared to 2.0% within the corresponding period in 2002. The upsurge was brought about by an upturn demand for rubber products, which increased to 10.7%. Wood-based products recorded a slight output growth of 1.7% in the first half of 2003 with major contribution from the plywood industry.

The manufacturing sector continues to be the major engine of growth for the Malaysian economy. The manufacturing output has registered an average annual growth rate of 9.1% for the period from 1996 to 2000 against the target growth rate of 10.7% under the Seventh Malaysia Plan. Under the Eighth Malaysia Plan, the annual average growth rate for the manufacturing sector is expected at 8.9% for the period of 2001 to 2005. As export-oriented industries will continue to dominate the manufacturing sector, the sector's growth is expected to be export-led, projected to earn up to 89% of the country's foreign exchange earnings by 2005.

The outlook for the manufacturing sector remains positive despite a fall in foreign investments in recent years. To speed up recovery of the global economy, some Multi National Companies ("MNCs") have relocated its labor-intensive and low-end operations to the lower cost countries such as China and Thailand. However, some companies have moved its high-end operations to Malaysia to tap on the superior manufacturing facilities, competitive tax, incentive scheme and well-trained labor force. The fiscal stimulus packages and low interest rate regime help ensure a brighter prospect for the manufacturing sector in 2003.

*(Source : Independent Market Report : An Assessment of the Furniture Market in Malaysia dated 10 February 2004, Infocredit D&B)*

#### 4.6.3 The Malaysian Furniture Industry

The furniture industry in Malaysia is highly diverse and includes a broad range of furniture types, serving many different market applications. Furniture manufacturing, which is a downstream activity of the timber industry is fragmented. It includes knocked-down furniture, self-assembled wooden furniture, office furniture, lounge sets, bedroom and dining sets, upholstery furniture, beds and mattresses and other furniture related products. Typically, furniture products can be categorised into five main sub-groups of wooden, rattan, metal, plastic and other furniture. Local players concentrate on producing homogeneous products for the export market, which are typically distinguished only by certain variations in machinery and in-house facilities.

Previously a small cottage industry, the furniture industry has transformed into mass-production export-oriented industry, represented by a large number of companies with automated plants and sophisticated machinery. It is estimated that there are approximately 3,500 manufacturers in the country. An estimated 81% are small-scale manufacturers, and the remaining 19% are the middle to large operators.

There are various incentives offered to the furniture industry such as investment incentives, pioneer status with fixed tax-exemption periods, subsidies in the form of tax relief for capital investment, re-investment allowances, manpower training and recently the IT scheme to enable employees to buy computers for training.

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

A global survey conducted in 2000 revealed that Malaysia had attained the 10th position among the world's top furniture exporting nations in 2000. It is also the only ASEAN nation in the list of top exporting nations. Malaysia was also ranked the world leader in terms of achieving the highest furniture exports to production ratio with 85% of its manufactured furniture being exported to over 150 countries around the world.

The Malaysia furniture industry is a mature industry and it has a proven track record in the global front. The industry is export-oriented where most players are in competition with major furniture producing countries in Asia such as Taiwan and South Korea. On average, Malaysia exports approximately 85% of its furniture production, ranking in almost RM5 billion worth of earnings a year. The industry will experience continuous growth due to active participation in trade exhibitions and growing external demand. As at 2003, exports of furniture rebounded to RM5.7 billion and the Malaysian International Furniture Fair anticipates exports to grow by 10% in 2004. Being ranked as the world's 10th largest furniture producer in 2002, Malaysia had gained 2.6% of the USD100 billion global market with the U.S.A. accounting for RM1.6 billion or 13.6% of total furniture export sales.

*(Source : Independent Market Report : An Assessment of the Furniture Market in Malaysia dated 10 February 2004, Infocredit D&B).*

#### 4.6.4 Industry Key Players

The furniture industry in general consists of a large number of companies with automated plants and sophisticated machinery, producing mass volumes for export. It is estimated that 3,500 manufacturers are operating in the country. Furniture manufacturing, which is a downstream activity of the timber industry is fragmented. It includes knocked-down furniture, self assembly wooden furniture, office furniture, lounge sets, bedroom and dining sets, upholstery furniture, beds and mattresses and other furniture related products. Many of the local players concentrate on producing homogeneous products for the export market, which are typically distinguished only by certain variations in machinery and in-house facilities.

The key players as identified in the Independent Market Report attached in Section 10.0 of this Prospectus are as follows:-

- |                      |   |  |
|----------------------|---|--|
| FMS                  | - | Mingly Holdings (M) Berhad, Mieco Chipboard Berhad, Malaysian Aica Berhad and Sunply Industries (M) Sdn Bhd.   |
| Upholstery furniture | - | HTL Leather Sdn Bhd, Lorenzo Sofa (Malaysia) Sdn Bhd, Aquila Sofa Sdn Bhd, Master Sofa Industries Sdn Bhd, Isella Sofa Design Sdn Bhd, Casa Salotti Design Manufacturer Sdn Bhd and Even Sofa Sdn Bhd. |

*(Source : Independent Market Report : An Assessment of the Furniture Market in Malaysia dated 10 February 2004, Infocredit D&B)*

#### 4.6.5 Government Legislation, Policies and Incentives

The Malaysian Government promotes the furniture industry by offering various investment incentives and facilities such as awarding pioneer status with fixed tax-exemption periods, subsidies in the form of tax relief for capital investment, re-investment allowances and manpower training.

Some of the major incentives for investments for the wood-based industry include: -

- Pioneer Status
- Investment Tax Allowance ("ITA")
- Reinvestment Tax Allowance ("RA")
- Tax Exemption on the Value of Increased Exports
- Double Deduction of Promotion Exports

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

Other Government incentives:

- Double deduction of Export Credit Insurance Premiums
- Incentives for R&D
- Incentives for Training
- Incentives for Restructuring
- Strategic Incentives for Forest Plantation Projects
- Infrastructure Allowance
- Double Deduction of Freight Charges
- Drawback of Custom Duties
- Exemption from Customs Duty on Machinery, Equipment and Raw Material

(Source: *Independent Market Report : An Assessment of the Furniture Market in Malaysia dated 10 February 2004, Infocredit D&B*)

##### 4.6.6 Demand of Products

The increasing supply of condominiums, apartments, hotels, office and retail space is expected to boost domestic demand for furniture. This also augurs well for sofa and upholstery manufacturers as these products are lighter, comfortable and suitable for the modern and contemporary lifestyle. The steady growth of households in Malaysia, that registered an average annual growth of 3.02%, (1993-2002) is a positive indicator to the increasing domestic demand for household furniture. Based on a total household of 5.333 million, the domestic demand for furniture in Malaysia is estimated at RM914.5 million in 2002 (2001: RM895.1 million).

In general, the demand for furniture products, especially household furniture is expected to remain strong as it is considered a necessity. Key international demand for furniture is from the U.S.A., Japan, U.K., Singapore, Australia, the United Arab Emirates and Canada. However, Australia, Korea and Taiwan are steadily gaining prominence. Malaysia is now ranked among the top exporting furniture nations in both the U.S.A. and Japan. Demand for Malaysian furniture range is on the rise worldwide as buyers are becoming increasingly attracted and satisfied with the quality and value of the products.

(Source: *Independent Market Report : An Assessment of the Furniture Market in Malaysia dated 10 February 2004, Infocredit D&B*)

##### 4.6.7 Substitute Products

According to the Directors and management of UDS, there are limited direct product substitutions for UDS Group's products due to the fact that panels such as plywood and fibreboards are semi-finished products that are used as manufacturing inputs for various furniture and wood-based products from kitchen furniture, bedroom furniture, tabletops, cabinets and dining sets.

However, substitute and/or comparable products can be manufactured using a broad range of materials such as metal, plastic, rattan and even glass or cement depending on the end-use applications and the quality of the products desired by the end-user.

##### 4.6.8 Industry Outlook

The outlook of the furniture industry has remained favourable over the past five years with an annual growth of 5%. Furthermore, furniture is a major export contributor to the nation's economy and as such, this industry is looked upon as an industry with enormous growth potential. For the year 2002, export earnings increased slightly to RM5.4 billion as compared to RM4.8 billion in 2001.

The onslaught of globalisation and liberalisation is expected to have a major impact on the furniture industry as free market practices will dictate the future of this industry. International buyers are increasingly more demanding in terms of design work, quality, environment and safety standards as well as competitive pricing.

---

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

---

The global furniture manufacturing industry is in transition itself, as manufacturers no longer confine their activities to the boundaries of a single host country. The free flow of components, sub-assemblies, accessories and supplies from different locations around the world is characterising the current trend in the global furniture industry. Therefore, going global is a key strategic move to remain competitive in this industry. As the World Trade Organisation ("WTO") regulations on free market practices becomes a reality, players that have been enjoying protection through tariff imposition and government subsidies will be challenged by other producers such as China.

Malaysia's stand on the global front has gone through a multi-faceted challenge, from complying with the ISO 9000 Quality Management System to the recent regional financial crisis. The resilience of the industry is attested as proven by the fact that Malaysia is in the 10th position in the global furniture export league table in 2000.

As the economic gap between the Organisation for Economic Corporation and Development ("OECD") countries and the developing world narrows, the imbalance in furniture trade will be reduced. The purchasing power of the Asian economies will improve and domestic markets will soon expand.

The Asean Free Trade Area ("AFTA"), which houses an estimated population of 500 million, is a good example of a domestic market created to cushion the turbulence of external markets. The anticipated increase in intra-regional trade is also expected to off-set any adverse affect of the intra-regional trade, which will ensure the sustainability and growth of the Malaysian furniture industry in the future.

However, the impact of AFTA is still unclear, as it could be positive as well as negative. It depends on the strategies employed by the manufacturers. Most of the small and medium scale manufacturing companies would feel the pressure in competing with other countries. However, manufacturing companies believe that AFTA would give them better opportunities as they are able to import certain raw materials cheaper and are able to export their end products at a better rate. Manufacturing companies need to increase their competitiveness in pricing and product quality in order to face stiff competition from manufacturers in other countries with low cost competitiveness.

The Government's role in development and growth of the furniture industry cannot be denied, as the industry has been alleviated to greater heights through the use of government policies and intervention. With the inherent competitive edge coupled with the enhancement of creative and innovative skills, the Malaysian furniture industry is indeed sustainable.

*(Source : Independent Market Report :An Assessment of the Furniture Market in Malaysia dated 10 February 2004, Infocredit D&B)*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.7 Major Customers**

The Group has a wide customer base, comprising a total of approximately 800 customers for the financial year ended 31 August 2003 and is not dependent on any one customer. None of the Group's major customers contributed more than 10 percent of the total turnover for the financial year ended 31 August 2003.

The Group's top ten customers for the financial year ended 31 August 2003 are as follows:-

<b>Name of Customers</b>	<b>Business Relationship since</b>	<b>% of Turnover for the Financial Year Ended 31 August 2003</b>
Poh Huat Furniture Ind. (M) Sdn Bhd	1995	8.40
Nitori Co. Ltd	1999	6.10
Meubefabriek Bauwens Gaston NV	2002	4.40
Soon Her Sing Ind (M) Sdn Bhd	1995	4.10
Seow Buck Sen Furniture (M) Sdn Bhd	1995	3.40
Maxicojn Sdn Bhd	2000	3.00
Livins Co-operative Union	2000	2.50
Innocent Furniture Co. Ltd	2002	2.00
Wembly Furniture	2001	1.90
T.A. Furniture Industries Sdn Bhd	1995	1.80

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

**4.0 INFORMATION ON THE UDS GROUP (Cont'd)****4.8 Major Suppliers**

The Group has approximately 200 suppliers. However, the Group's top ten suppliers for the financial year ended 31 August 2003 are as follows: -

<b>Name of Suppliers</b>	<b>Business Relationship since</b>	<b>% of Group Purchases for the Financial Year Ended 31 August 2003</b>
Pahanco Corporation Berhad	1996	16.20
Guthrie MDF Sdn Bhd	1996	13.30
P.S.P Tannery Co Ltd	1999	10.30
Petani Corporation Sdn Bhd	1999	9.20
Recos Industries Sdn Bhd	1996	4.40
Trends Leather Pte Ltd	2002	4.30
De Pelle Seats Sdn Bhd	2002	3.00
Jeford Trading	2000	2.90
Asiaprima Resources Sdn Bhd	2000	2.00
U.C.Gravure Sdn Bhd	1999	1.90

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

---

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


---

**4.9 Future Plans and Prospects****4.9.1 Future Plans**

For its future plans, the Board of Directors and the management team of the UDS Group have identified the following: -

**(i) Expansion of product lines, facilities and production capacity**

The UDS Group believes that the current expansion of its facilities is crucial in the next stage of the Group's growth. Over the next two (2) financial years, the Group has committed to invest an estimated RM0.76 million in total in new machinery and equipment for its operations.

The Group expects to expand its production capacity and product lines with the completion of the Group's factory building expansion in the second half of 2003.

The expansion and upgrading of the product lines, facilities and production capacity will directly support the Group's plan to capture and command a greater share of its manufactured products in the local market, as well as open avenues for exports.

**(ii) Product development**

The UDS Group is highly customer-focused and as such realised that product development is an important determinant that differentiates the Group from the common manufacturing services rendered by other contract manufacturers. The Group's quality management extends to all areas of its manufacturing chain, including incoming material, material in process, finished goods and final delivery.

The Group recognises the significance of research and development of its products to maintain a competitive edge in the market. To strengthen its product development facilities and to standardise its research & development division, the Group plans to further upgrade its R&D facilities by investing in new equipment such as Computer Assisted Design system, computer software and hardware and other quality and standard checking tools within the next two (2) years. The Group plans to increase the involvement of its R&D activities in all facets of product design and process innovation to enable it to move towards the production of greater value-added products as well as improving current production techniques and processes.

To further enhance the automation of its in-house production facilities, the UDS Group is also looking into the feasibility of implementing Supply Chain Management (SCM) and Enterprise Resource Planning (ERP) in the near future. This would enhance product quality at a stable price whilst maintaining shorter lead times for its customers.

**(iii) Product diversification and market expansion**

UDW is currently producing bedroom sets, living room sets and buffet hutch/dining sets. It has plans to expand the overseas markets by participating in exhibitions in potential countries such as the United States of America, Italy, Germany and Sweden. The Group's internal business development and marketing team has also conducted market research through trade exhibitions in countries such as Japan, Sweden, New Zealand, Australia, Europe, North and South Korea, United Arab Emirates, South Africa, the United States of America and other Middle-East countries and plans to establish its own offices in the target markets in the next few years. It plans to capitalise on the existing strong marketing channels of SWS in the overseas export markets.

The UDS Group also plans to expand the export markets of its hardware products to major overseas markets such as Thailand, Indonesia and the Philippines. Besides the usual direct marketing efforts of approaching large furniture manufacturers, the marketing team will also actively take part in exhibitions in those target markets.

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

In addition to direct marketing efforts, the Group has been active in e-commerce activities and have recently upgraded its website to publish and advertise its new products on various business-to-business e-commerce portals. Besides the normal website publishing, SWS has also published its settees and sofas catalogue using the latest multimedia technology both online and on CD-ROM media.

In essence, the broad range of products of the Group can be marketed using the existing distribution network by offering its customers a broader range of choices. The Group intends to leverage on the existing distribution network by using an integrated marketing approach by cross-selling of products using standard theme of bedroom/living room/settee and sofa product models.

#### 4.9.2 Prospects

##### (i) Established business contacts in Malaysia and overseas markets

Over the years, the Group has been servicing many customers in Malaysia. Hence, the Group is not lacking in terms of knowledge of operating in Malaysia. The strong relationships with its Malaysian customers also serve as a good reference to prospective new customers in Malaysia. According to the management of UDS, the Group's strong market reputation, years of industry experience and ability in meeting delivery schedules helped greatly in gaining customer loyalty and confidence. On the business development front, there is also a strong marketing team covering the board and kitchen worktop products both in the domestic and international markets.

##### (ii) Synergistic effects of the corporate restructuring

With the restructuring of the four core subsidiary companies, namely UDT, SWS, UDI and UDP under one management, the charting of the Group's business direction and the coordination of business expansion will be more effectively and promptly implemented. Additionally, the subsidiary companies may utilise each other's expertise and business contacts to facilitate the expansion plan.

##### (iii) Strong external demand for furniture products

There is an increase of external demand in 2002 as compared to 2001 fuelled by various key driving factors such as higher population, increase in demand for wood-based furniture and the trend towards outsourcing of components and furniture parts by other furniture producing nations. There is opportunity to tap and leverage on the existing marketing network of SWS to market its panel products to countries such as Italy, Taiwan and Denmark.

Furthermore, AFTA is expected to increase ASEAN's competitive edge where intra-regional tariff and non-tariff barriers are eliminated. This is an opportunity for UDS to penetrate and expand its business to a wider market under AFTA which houses an estimated population of 500 million.

##### (iv) Change in consumer trend

There is an increase in awareness of the home improvement market as consumers are becoming more conscious about home and interior design and maintenance. The do-it-yourself (DIY) market is an area where laminated panel products are widely used, thus increasing market opportunity for value-added FMS players.

##### (v) Established export markets for its high-end upholstered products

The settees and sofas division is mainly export-oriented and well established, with approximately 87% of revenue contributed from the total export sales of the Group for the financial year ended 31 August 2003. SWS has also successfully penetrated high-end markets such as Japan, United States of America and Europe which is predominantly dominated by European furniture makers.