

UDS CAPITAL BERHAD (502246-P)

Quarterly Report on consolidated results for the 1st financial quarter ended 30 November 2005

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Accounting Policies

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 August 2005.

The accounting policies and methods of computation used in the preparation of the interim financial reports are consistent with those adopted in the audited financial statements for the year ended 31 August 2005.

A2. Auditors' Report

The auditors' report of the audited financial statements for the financial year ended 31 August 2005 was not subjected to any qualification.

A3. Seasonal/Cyclical Factors

There were no significant seasonal or cyclical factors which have materially affected the results of the Group for the current quarter.

A4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

A5. Changes in Estimates

There are no changes in estimates of accounts reported in prior interim periods of the current or prior quarter.

A6. Issuance of Equity or Debts Securities

The Company has allotted new shares on 30 November 2005 in relation to the followings:-

Renounceable Rights Issue of 21,084,250 new ordinary shares of RM0.50 each at an issue price of RM0.80 each in UDS Capital Berhad ("UDS" or the "Company") ("Rights Shares") together with 21,084,250 free detachable warrants ("warrants") on the basis of one (1) Rights Share with one (1) free Warrant for every four (4) existing ordinary shares of RM0.50 each ("Shares") held by the entitled Shareholders of UDS at 5.00 P.M. on 3 October 2005;

and

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Bonus Issue of 21,084,250 new ordinary shares of RM0.50 each in UDS ("Bonus Shares") on the basis of one (1) Bonus Share for every one (1) Rights Share subscribed by the existing shareholders of UDS and/or their renounees pursuant to the rights issue with warrants ("bonus issue");

A7. Dividend Paid

No dividend was paid during the current quarter.

A8. Segmental Reporting

Analysis by Segment

	Invesment Holding	Manufacturing	Marketing & Distribution	Elimination/ Adjustment	Consolidated
<u>REVENUE</u>					
External Sales	-	13,223	12,205	-	25,428
Inter-segment revenue	-	4,610	829	(5,439)	-
Total	-	17,833	13,034	(5,439)	25,428
<u>RESULTS</u>					
Operating profit/(Loss)	(20)	892	754	-	1,626
Interest expense, net	-	(406)	(253)	-	(659)
Share of loss of associates company	-	-	(31)	-	(31)
Profit/(Loss) before taxation	(20)	486	470	-	936
Taxation	-	(106)	(132)	-	(238)
Profit/(Loss) after taxation	(20)	380	338	-	698
Minority Interest	-	1	-	-	1
Profit/(Loss) for the year	(20)	381	338	-	699

(in RM '000)

A9. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

A10. Material Subsequent Events

As at the date of issue of this quarterly report, there were no materials events subsequent to the end of this quarter reported on that have not been reflected in the financial statements for the said quarter.

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A11. Changes in Composition of the Group

There were no changes in the composition of the Group since the last annual financial statement.

A12. Contingent Liabilities or Contingent Assets

The Company has extended corporate guarantee to bankers for credit facilities to a limit of approximately RM67.3 million granted to subsidiary companies.

A13. Capital Commitments

	As at 30.11.2005 RM'000	As at 31.08.2005 RM'000
Property, plant and equipment		
Approved and contracted for	659	1,059
Approved but not contracted for	4,957	2,278
	<u>5,616</u>	<u>3,337</u>

A14. Significant Related Party Transactions

There were no significant related party transactions since the last annual financial statements.

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

Turnover for the current period ended 30 November 2005 is RM25,428,000 as compared to RM22,281,000 in the preceding year shows an increase of 14.1% in turnover of the current period as compared to preceding year period.

The Group recorded a profit before tax (“PBT”) of RM936,000 for the period as compared to PBT of RM2,138,000 in the preceding year period.

Due to the uncertainty in the global economy resulting in a temporary contraction of consumer spending in the furniture industry, the Group had been substantially affected by the intense pricing competition from the market. To meet the major challenges, the Group undertook aggressive marketing, promotional and pricing strategies to protect its market share in both the domestic and export markets.

The strategies have proven to be fruitful with Group turnover increased by 14.1% as compared to the previous year period.

However, the strategies also necessitated short term sacrifices on profit margins.

B2. Variation of Results against Preceding Quarter

Turnover for the current year quarter is RM25,428,000 compared to RM26,267,000 in the preceding quarter representing a decrease of 3.19% in turnover of the current quarter as compared to the preceding quarter.

The Group recorded a PBT of RM936,000 for the current quarter, an increase of 75.0% compared to the PBT of RM535,000 in the preceding quarter.

The PBT increased is mainly due to the effort of the Group to enhance productivity and costs efficiencies in its operations.

B3. Prospect for the Current Financial Year

Barring any unforeseen circumstances, the group expects that business prospects for the coming financial year to remain profitable.

B4. Variance from Profit Forecast

Not applicable as no profit forecast was published.

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B5. Tax Expense

	Current Year Quarter RM'000	Preceding Year Corresponding Quarter RM'000
Income Tax		
- Provision for the period	238	532

The taxation charge disproportionate to the operating results is mainly due to the claim of reinvestment allowances and of export allowances.

B6. Profit or loss on Sale of Investments and/or Properties

During the current year quarter, no investments or properties were disposed.

B7. Quoted Securities

There was no purchase or disposal of quoted securities for the current year quarter.

B8. Status of Corporate Proposal

The Group has proposed:-

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

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

B9. Borrowings and Debts Securities

The Group's borrowings as at 30 November 2005 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short Term	47,495	-	47,495
Long Term	1,228	-	1,228
	48,723	-	48,723

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B10. Off Balance Sheet Financial Instruments

The Group enter into forward contract to sell the followings US Dollar in relation to the Group's export sales:-

Outstanding contract in USD '000	Exchange Rate	Equivalent in RM '000	Expiry Date
80	3.717	297	30/12/2005
130	3.7115	482	30/12/2005
80	3.7085	297	28/12/2005
150	3.704	556	28/12/2005
510		1,897	

B11. Material Litigation

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

- (a) UDT had sold goods to Chuan Lai Furniture ("CLF") amounting to RM142,548.50 and obtained a guarantee dated 24 June 2000 from the partners of CLF, namely Goo Chuan Huat and Goo Chuan Lai. UDT filed an action against CLF as a firm together with the partners of CLF and obtained judgment in default on 2 October 2002. As CLF still failed to pay, UDT proceeded with a writ of seizure and sale proceedings ("WSS") against CLF. Further, as CLF had taken out the goods and/or part of the goods that was seized by the Sessions Court Bailiff of Batu Pahat, UDT then filed an application for committal and was successful.

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

In the meantime, Goo Chuan Lai (trading as Chuan Lai Furniture) has taken legal action against UDT and the bailiff of the Sessions Court of Batu Pahat claiming, inter-alia, (i) unspecified damages (ii) that the WSS proceeding was void and illegal and (iii) that UDT be restrained from proceeding with the said WSS. UDT is planning to file an application to strike out the legal action. Based on the advice of its lawyers, the Directors of UDT are of the view that UDT has a good chance of striking out the legal action. UDT is also confident that in the unlikely event UDT fails in defending any counter-suit by CLF, the damages awarded would not have any material financial impact on UDT. Furthermore, the said trade debts (inclusive of interest and other charges) amounting to RM172,666.06 has been fully written-off by UDT in its financial statements for the financial year ended 30 November 2003.

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B12. Dividend Payable

At the forthcoming Annual General Meeting to be held on 16 February 2006, a first and final dividend of 4% per share less tax of 28% amounting to RM1,821,679 in respect of the financial year ended 31 August 2005 will be proposed for shareholders' approval. The quarterly report does not reflect the first and final dividend which, when approved by shareholders, such dividend will be accounted for in shareholders' equity as an appropriation of retained profit in the financial year ending 31 August 2006.

B13. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	30 November		30 November	
	2005	2004	2005	2004
Net profit for the period (RM'000)	699	2,137	699	2,137
Number of ordinary shares in issue ('000)				
- Weighted average	84,088	80,739	84,088	80,739
- Diluted	84,720	-	84,720	-
Earning per share (sen)				
- Basic	0.83	2.65	0.83	2.65
- Diluted	0.82	-	0.82	-

By order of the Board

Tan Wang Giap
Secretary

Dated : 26 January 2006