
8. APPROVALS AND CONDITIONS (cont'd)

Authority / details of conditions imposed	Status of compliance
(viii) The remaining directors to be appointed to the board of the UMSN Group should submit the declaration as set out under Schedule 16.02 of the SC Guidelines prior to the issuance of the prospectus;	Complied. The declaration letters have been furnished to the SC on 23 March 2006.
(ix) UMSN/RHB Sakura should make detailed disclosures in the prospectus with regard to the following:	
(a) Dependency on the top customers and steps taken/to be taken to address the dependency;	Complied. Please refer to Section 4.11 of this Prospectus.
(b) Lack of long-term contracts with customers and steps taken to address the issue; and	Complied. Please refer to Section 4.11 of this Prospectus.
(c) Potential conflict of interest by virtue of Paul Ip Tai Hoi's involvement in companies related to him in the same business/industry as the UMSN Group and steps taken to address such conflict;	Complied. Please refer to Section 9.1 of this Prospectus.
(x) In relation to the declaration and payment of the proposed dividends, UMSN/RHB Sakura should submit to the SC the following:	
(a) An undertaking letter stating that the proceeds from the proposed listing would not be utilised either directly or indirectly for the payment of the proposed dividends; and	Complied. The undertaking letter has been furnished to the SC on 23 March 2006.
(b) A confirmation that the audited NTA of UMSE and HPL after declaration and payment of the proposed dividends are not lower than the respective audited NTAs as at 31 December 2003;	Complied. The confirmation letter has been furnished to the SC on 23 March 2006.
(xi) The Directors of UMSN who are involved in similar business activities as the Group should either -	Complied. Paul Ip Tai Hoi had resigned as a director of UMSE and HPL on 10 June 2005 and 21 October 2005, respectively.
(a) relinquish their directorship in the UMSN Group; or	
(b) relinquish their interests in their other businesses that are similar to the UMSN Group	
prior to the issuance of the prospectus;	
(xii) UMSN should allot the 24,000,000 shares to Bumiputera investors to be nominated/approved by MITI to comply with the National Development Policy (NDP) requirement;	To be complied. MITI had, <i>vide</i> , its letters dated 6 October 2005, 24 October 2005, 13 February 2006 and 20 March 2006 allocated the 24,000,000 Shares to the respective Bumiputera investors.
(xiii) UMSN/RHB Sakura should inform the SC on the status of compliance with the NDP requirement upon completion of the flotation proposal; and	To be complied.

8. APPROVALS AND CONDITIONS (cont'd)

Authority / details of conditions imposed	Status of compliance
(xiii) UMSN/RHB Sakura should inform the SC on the status of compliance with the NDP requirement upon completion of the flotation proposal; and	To be complied.
(xiv) UMSN/RHB Sakura should comply with the other requirements relating to the proposal as stipulated in the SC Guidelines.	To be complied.
<i>Conditions imposed by MITI vide its letter dated 19 October 2004.</i>	
(i) The allocation of 24,000,000 Shares is subject to MITI's approval and will be determined subsequent to the SC's approval being obtained for the Flotation Scheme; and	Complied. MITI had, <i>vide</i> , its letters dated 6 October 2005, 24 October 2005, 13 February 2006 and 20 March 2006 allocated the 24,000,000 Shares to the respective Bumiputera investors.
(ii) UMSN is required to obtain the SC's approval for the Flotation Scheme and comply with the FIC Guidelines.	The SC had approved the Flotation Scheme on 18 April 2005. The SC had also approved the Flotation Scheme under the FIC Guidelines <i>vide</i> the same letter.
<i>Conditions imposed by Bursa Securities vide its letter dated 21 October 2004.</i>	
(i) Approval from the SC being obtained and where there are conditions and/or variations imposed by the SC, compliance of the said conditions and/or variations in relation to the issuance and listing of the securities of the Company; and	Complied. The SC's approval was obtained on 18 April 2005. There is no variation imposed by the SC for the Flotation Scheme and the conditions imposed by the SC that can be complied with prior to the issuance of this Prospectus, have been complied.
(ii) In the event that the SC's approval affects or varies the issued and paid-up capital of the Listing submitted in the application to Bursa Securities, compliance of the said variations with the Listing Requirements.	Not applicable. There is no variation to the issued and paid-up share capital of UMSN.

8. APPROVALS AND CONDITIONS (cont'd)**8.2 MORATORIUM ON SHARES**

The SC, in approving the listing of UMSN, imposed a moratorium on the disposal of 36,000,000 Shares, representing 45% of the enlarged issued and paid-up share capital of UMSN on the following shareholders of UMSN:

Shareholders	Shareholdings after the IPO		Shareholdings under moratorium	
	No. of Shares	% of enlarged issued and paid-up share capital	No. of Shares	% of enlarged issued and paid-up share capital
UMSH	38,348,420	47.94	29,689,234	37.11
Paul Ip Tai Hoi	5,362,743	6.70	4,151,820	5.19
Lawrence Lee	1,072,549	1.34	830,364	1.04
Andrew Pang Chun Yue	1,072,549	1.34	830,364	1.04
Mah Chin Heng	321,764	0.40	249,109	0.31
Cheng Onn	176,970	0.22	137,010	0.17
Cheng Wong	144,794	0.18	112,099	0.14
Total	46,499,789	58.12	36,000,000	45.00

The aforesaid shareholders are not allowed to sell, assign or transfer their shareholdings under moratorium in UMSN for 1 year from the date of admission of UMSN to the Official List of the Second Board of Bursa Securities. In addition, the shareholders of UMSH and the shareholders of CESB (a substantial shareholder of UMSH), have undertaken that they will not sell, transfer or assign their respective shareholdings in UMSH and CESB nor sell, transfer, assign or convert their irredeemable convertible preference shares in UMSH for 1 year from the date of admission of UMSN to the Second Board of Bursa Securities.

The restriction, which has been fully accepted by the above shareholders of UMSN, UMSH and CESB respectively, is specifically endorsed on the share certificates and notice of allotment representing the respective shareholdings of the said shareholders which are under moratorium to ensure that the share registrar does not register any share transfer which is not in compliance with the restriction imposed by the SC.

The statement to be endorsed on the said certificates is as follows:

"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

- 9.1 Save for Paul Ip Tai Hoi's interests as disclosed below, none of the Directors or substantial shareholders of UMSN have any interest, whether direct or indirect, in any business carrying on a similar trade as the UMSN Group.

Name of company	Principal activities	Nature of interest	Shareholdings			
			Direct		Indirect	
			No. of shares	%	No. of shares	%
HPE	Manufacturing and trading of cable and cable reels	Director / Substantial Shareholder	-	-	1,500,000 ⁽¹⁾	100.00
Ming Kee	Manufacturing and trading of electrical wiring accessories	Director / Substantial Shareholder	7,000	87.50	1,000 ⁽²⁾	12.50
Supeready Company Ltd	Trading of electrical wiring accessories	Director / Substantial Shareholder	4,200	70.00	1,800 ⁽²⁾	30.00
Hang San Electrical Supplies Sdn Bhd	Dealer, supplier and distributor of electrical products and components	Substantial Shareholder	398,444	6.18	-	-
PMS Electrical Manufactory (S) Pte Ltd	Manufacturing and trading of plug, adaptor and extension socket	Director / Substantial Shareholder	960,000	96.00	-	-

Notes:

- (1) Deemed interested by virtue of his direct shareholding in High Project Holding Ltd which wholly owns HPE pursuant to Section 6A of the Act
- (2) Deemed interested by virtue of the direct shareholding of his wife, Annie Chan Mei Chung, in the respective companies

HPL is involved, *inter-alia*, in trading of cable reels, which it purchases mainly from HPE. In this regard, HPE's business is similar to that of HPL's. However, the Board is of the opinion that the involvement of Paul Ip Tai Hoi as a director and substantial shareholder of HPE would not result in a situation of conflict of interest as HPE has provided a written undertaking to HPL that it will not compete with or solicit business from the customers of HPL in the trading of cable reels. HPL has furnished a list of its customers to HPE as at the date of the undertaking and will be solely responsible in notifying HPE of any new customers from time to time.

Further, the businesses of Ming Kee, Supeready Company Ltd, Hang San Electrical Supplies Sdn Bhd and PMS Electrical Manufactory (S) Pte Ltd are similar to that of UMSE's. However, the Board is of the opinion that the involvement of Paul Ip Tai Hoi as a director and substantial shareholder of Ming Kee, Supeready Company Ltd and PMS Electrical Manufactory (S) Pte Ltd as well as a substantial shareholder of Hang San Electrical Supplies Sdn Bhd would not result in a situation of conflict of interest as he is not involved in the day-to-day operations of UMSE, does not hold any executive position in the UMSN Group nor sits on the Board of UMSN or any of its subsidiaries. In addition, the Board is of the opinion that the involvement of Paul Ip Tai Hoi as a director and substantial shareholder of Supeready Company Ltd would not give rise to a situation of conflict of interest as the target market for Supeready Company Ltd is mainly retail shops within Hong Kong, which is not the target market of UMSE.

In addition, pursuant to a condition imposed by the SC in its approval letter dated 18 April 2005, Paul Ip Tai Hoi has ceased to be a director of UMSE and HPL on 10 June 2005 and 21 October 2005, respectively.

9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(cont'd)*

9.2 Save as disclosed in Section 6.3 and 9.3 of this Prospectus, none of the Directors or substantial shareholders nor any persons connected with the Directors or substantial shareholders of the Company, has any interests, whether direct or indirect, in the promotion of or in any material assets which have, within the 2 years preceding the date of this Prospectus, been acquired by or disposed of or leased to the Company or its subsidiaries, or are proposed to be acquired by or disposed of or leased to the Company or its subsidiaries, or any contract or arrangement subsisting at the date of this Prospectus, which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

9.3 The Group in its ordinary course of business, enters into recurrent related party transactions with certain related parties of the UMSN Group. Details of the recurrent related party transactions are as follows:

Name of related party	Principal activities	Nature of transaction	Interested party	Nature of interest	% shareholding in the company	
					Direct	Indirect
UMSC	Manufacturing of copper rods, wires and cables	Purchase of copper wires and cables by UMSE	Cheng Wong	Director / Substantial Shareholder	-	68.92 ⁽¹⁾
			Paul Ip Tai Hoi	Substantial Shareholder	5.83	68.92 ⁽²⁾
			Yong Meow Fatt	Director / Shareholder	*	-
Ming Kee	Manufacturing and trading of electrical wiring accessories	Purchase of fuselinks, screws and inserts for power cord sets by UMSE	Paul Ip Tai Hoi	Director / Substantial Shareholder	87.50	12.50 ⁽³⁾
		Rental of office premises by HPL				
		Provision of business consultancy services to HPL				
		Sale of power cord sets by HPL				
HPE	Manufacturing and trading of cable and cable reels	Purchase of cables and cable reels by HPL	Paul Ip Tai Hoi	Director / Substantial Shareholder	-	100.00 ⁽⁴⁾
		Sale of power cord sets by HPL				

Notes:

* *Negligible*

(1) *Deemed interested by virtue of his direct shareholding in UMSH and indirect shareholding in UMSH held via CESB pursuant to Section 6A of the Act*

(2) *Deemed interested by virtue of his direct shareholding in UMSH pursuant to Section 6A of the Act*

(3) *Deemed interested by virtue of the direct shareholding of his wife, Annie Chan Mei Chung*

(4) *Deemed interested by virtue of his direct shareholding in High Project Holding Ltd which wholly owns HPE pursuant to Section 6A of the Act*

9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (cont'd)

The Directors of UMSN are of the view that the above transactions are conducted on arms length basis and on terms not more favourable to the related parties than those available to the public.

9.4 Save as disclosed in Section 16.7 and 16.8 of this Prospectus as well as Section 9.3 herein, the Group has not entered into any transactions that are unusual in nature or conditions, involving goods and services, tangible or intangible assets, to which UMSN or its subsidiaries was a party in respect of the FYE 31 December 2005 and the subsequent financial period immediately preceding the date of this Prospectus.

9.5 As at the date of this Prospectus, there are no outstanding loans and/or guarantees of any kind made by the UMSN Group to or for the benefit of related parties.

9.6 The declarations by Advisers on conflict of interests are as follows:

- (i) RHB Bank Berhad ("RHB Bank"), a company related to RHB Sakura, has extended a RM7.5 million short term loan facility to UMSH i.e. the Offeror, substantial shareholder and promoter of UMSN and part of the proceeds to be raised from the Offer for Sale which is accrued to UMSH will be utilised to repay the abovementioned short term loan facility.

Based on RHB Bank's gross loan and advances as at 31 December 2004, RHB Bank's total exposure to UMSH represents only approximately 0.02% of RHB Bank's gross loan and advances of RM47.52 billion. In view of the foregoing, RHB Sakura confirms that there is no existing or potential conflict of interest in its capacity as the Adviser and Underwriter for the IPO.

- (ii) Messrs Horwath confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for the IPO;
- (iii) Messrs Teh & Lee confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors for the IPO; and
- (iv) KGV-Lambert Smith Hampton (M) Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Registered Valuer for the IPO.

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10. LANDED PROPERTIES

Details of the landed properties owned by the UMSN Group are as follows:

Registered / Beneficial owner	Postal address / Title details	Description/ existing use	Tenure of land/lease (expiry date)	Date of issuance of certificate of fitness	Land area / built-up area (square feet)	Restriction in interest/ Encumbrances	Approximate age of building	Audited net book value as at 31 December 2005 (RM)	Market Value (RM) / Date of valuation
UMSE	Lot 5, Batu 17½, Jalan Ipoh, Rawang Industrial Estate, 48000 Rawang, Selangor Darul Ehsan	A single-storey detached factory with a 4-storey front office annex	Freehold	16.02.1995	Land area: 58,017 Built-up area: 49,020	No restriction in interest Encumbrances as follows: (i) Charged to United Overseas Bank (Malaysia) Berhad (ii) Caveated by United Overseas Bank (Malaysia) Berhad	11 years	4,987,977	5,000,000 ⁽¹⁾ / 06.08.2004
UMSE	GRN 86298 Lot No 182 Seksyen 19, Bandar Rawang, District of Gombak, Selangor Darul Ehsan	A single-storey detached factory	Freehold	16.06.2004	Land area: 42,182 Built-up area: 21,200	No restriction in interest Assigned to Malaysian Banking Berhad ⁽³⁾	2 years	2,796,225	2,800,000 ⁽¹⁾ / 25.06.2004
UMSE ⁽⁴⁾	Developer's Sub Plot No E, Taman Bukit Rawang Jaya, Rawang, 48000 Selangor Darul Ehsan	A five-storey medium cost apartment for workers' accommodation	Freehold	06.08.2002	Built-up area: 668	No restriction in interest Caveated by Southern Bank Berhad	4 years	49,482	N/A ⁽⁵⁾

10. LANDED PROPERTIES (cont'd)

Registered / Beneficial owner	Postal address / Title details	Description/ existing use	Tenure of land/lease (expiry date)	Date of issuance of certificate of fitness	Land area / built-up area (square feet)	Restriction in interest/ Encumbrances	Approximate age of building	Audited net book value as at 31 December 2005 (RM)	Market Value (RM) / Date of valuation
NSVN ⁽⁶⁾	Lot P2 Viet Huong Industrial Park, Thuan Giao village, Thuan An District, Binh Duong province, Vietnam ⁽⁷⁾	A two-storey detached factory	Leasehold (25.11.2046)	- ⁽⁸⁾	Land area: 51,648 Built-up area: 35,745	Charged to VID Public Bank	6 months	758,419 ⁽⁹⁾	N/A ⁽⁵⁾

Notes:

N/A

Not applicable

(1) The revaluation surplus of RM719,029 (net of deferred tax) based on the net book value of these properties as at 31 August 2005 has been incorporated into the books of UMSE for the FYE 31 December 2005

(2) There is no separate individual/strata title issued by the relevant authorities yet

(3) Previously charged to AmFinance Berhad as stated in the Valuation Certificate set out in Section 14 of this Prospectus

(4) This property was acquired by UMSE from Sungei Way Masalam Sdn Bhd pursuant to a Sales and Purchase Agreement dated 10 May 1999. However, as at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), the title of this property has yet to be transferred to UMSE. As such UMSE is not the registered owner but the beneficial owner of this property

(5) No valuation has been carried out for the properties

(6) NSVN is only the owner of the factory building and not the leasehold land

(7) No title details as the land where the factory building is erected on is not acquired but leased pursuant to the Principal Contract dated 5 September 2005 between Viet Huong Joint Stock Corporation and NSVN

(8) The Certificate of Project Completion for the factory building is pending issuance from the local authorities

(9) The net book value of this property only represents the net book value of the factory building as NSVN does not own the land where the said factory building is erected on

As at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), the Company confirms that there were no breaches of building by-laws or approved land use for the landed properties listed above. None of the landed properties owned by UMSE above was acquired within the 2 years preceding 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus).

11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

11.1.1 Proforma and audited profit track record

The following table sets out a summary of the proforma Group's financial performance for the past 4 FYE 31 December 2004 based on the assumption that the current Group structure has been in existence throughout the years under review and the Group's audited consolidated results for the FYE 31 December 2005. The proforma consolidated results have been prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 of this Prospectus.

FYE 31 December	Proforma				Audited 2005 RM'000
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	
Turnover	37,580	44,993	56,604	63,804	73,650
EBITDA	6,800	7,271	10,914	10,757	11,459
Depreciation and amortisation	(1,459)	(1,508)	(1,822)	(1,671)	(1,987)
Interest expense	(581)	(555)	(574)	(592)	(770)
Interest income	47	38	42	85	125
PBT	4,807	5,246	8,560	8,579	8,827
Taxation	(1,227)	(1,291)	(1,815)	(1,667)	(2,146)
PAT	3,580	3,955	6,745	6,912	6,681
Pre-acquisition profits	-	-	-	-	(4,948)
PAT attributable to shareholders	3,580	3,955	6,745	6,912	1,733
Number of Shares assumed in issue after Acquisitions ('000) ⁽¹⁾	66,785	66,785	66,785	66,785	66,785
Gross earnings per share (sen)	7.2	7.9	12.8	12.8	13.2
Net earnings per share (sen)	5.4	5.9	10.1	10.3	10.0
Effective tax rate (%)	25.5	24.6	21.2	19.4	24.3
Gross dividend rate (%)	1.3	2.6	3.3	3.8	19.6

Notes:

- (1) The assumed number of Shares is based on the enlarged share capital of UMSN upon completion of the Acquisitions but before the Rights Issue and Public Issue
- (2) There were no exceptional or extraordinary items during the financial years under review. The results in all the financial years under review were not subject to any auditors' qualification
- (3) The results of HPL throughout the years under review were time-apportioned based on its audited financial statements for the respective financial years ended 31 March and the actual 9 months audited results for the financial period ended 31 December 2005

11. FINANCIAL INFORMATION (cont'd)**11.1.2 Segmental Analysis**

The following tables set out the segmental analysis by companies, activity and market for the UMSN Group for the past 5 FYE 31 December 2005. The results were prepared on the assumption that the current structure of the Group has been in existence throughout the financial years under review.

Turnover by Company

FYE 31 December	<-----Proforma----->				Audited 2005 RM'000
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	
UMSE	24,239	29,137	32,736	39,300	40,447
HPL	13,341	15,856	23,868	24,504	33,203
	37,580	44,993	56,604	63,804	73,650

Turnover by Activity

FYE 31 December	<-----Proforma----->				Audited 2005 RM'000
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	
Manufacturing	34,993	39,271	45,544	49,349	52,720
Trading	2,454	5,492	10,658	14,455	20,930
Others ⁽¹⁾	133	230	402	-	-
	37,580	44,993	56,604	63,804	73,650

Note:

(1) Represents mainly income received from customers for the fabrication of moulds used in the production of cable reels and power cord sets specifically requested by the relevant customers

Turnover by Markets

FYE 31 December	<-----Proforma----->				Audited 2005 RM'000
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	
Malaysia	18,640	22,506	23,535	37,735	22,860
Foreign	18,940	22,487	33,069	26,069	50,790
	37,580	44,993	56,604	63,804	73,650

11. FINANCIAL INFORMATION (cont'd)

PBT by Company

FYE 31 December	←-----Proforma-----→				Audited 2005 RM'000
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	
UMSE	3,462	3,857	6,877	7,289	7,929
HPL	1,345	1,389	1,683	1,311	1,508
NSVN	-	-	-	(11)	(82)
UMSN	-	-	-	(10)	2,191
Less: inter-company elimination	-	-	-	-	(2,719)
	4,807	5,246	8,560	8,579	8,827

11.1.3 Overview of historical profit track record

FYE 31 December 2001

The Group's turnover increased by approximately 9.8% to RM37.58 million for the FYE 31 December 2001. The increase in turnover was mainly due to the increase in foreign market sales recorded by the Group by 19.8% to RM18.94 million for the FYE 31 December 2001 compared to RM15.81 million in the previous year. The increase in foreign market sales is mainly due to the introduction of cable reels by HPL to the UK market.

For the FYE 31 December 2001, the Group's PBT increased by approximately 8.8% to RM4.81 million, mainly attributable to the growth in turnover.

The effective tax rate of UMSE for the FYE 31 December 2001 was lower than the statutory tax rate in Malaysia due to the tax incentives in the form of double deduction of eligible expenses and reinvestment allowances claimed. The effective tax rates of HPL for the 12-month financial period ended 31 December 2001 approximates the statutory tax rate in Hong Kong.

FYE 31 December 2002

The Group's turnover increased by approximately 19.7% to RM44.99 million for the FYE 31 December 2002. This can be attributed to the increase in:

- (i) demand for UMSE's products in the both the Malaysian and foreign markets by 20.7% and 18.7%, respectively;
- (ii) HPL's turnover for the FYE 31 December 2002 by 18.9% as a result of the introduction of the trading of cable reels business segment; and
- (iii) HPL's export markets revenue by 56.4% mainly due to higher demand for its power cord sets.

The Group's PBT improved by 9.1% to RM 5.25 million for the FYE 31 December 2002. The improvement was mainly attributable to higher contributions from turnover achieved in the FYE 31 December 2002.

Both the effective tax rate of UMSE for the FYE 31 December 2002 and HPL for the 12-month financial period ended 31 December 2002 approximate the statutory tax rate in Malaysia and Hong Kong, respectively.

11. FINANCIAL INFORMATION (cont'd)

FYE 31 December 2003

The Group's turnover increased substantially by 25.8% to RM56.60 million for the FYE 31 December 2003 mainly due to higher demand for UMSE's and HPL's products in the Middle East and UK respectively.

The increase in the Group's PBT by approximately 63.2% to RM8.56 million for the FYE 31 December 2003 was mainly due to:

- (i) the growth in turnover; and
- (ii) the improvement in gross profit margin as a result of economies of scale and lower raw material prices.

The effective tax rate of UMSE for the FYE 31 December 2003 was lower than the statutory tax rate in Malaysia due to the tax incentives in the form of double deduction of eligible expenses and reinvestment allowances claimed. The effective tax rates of HPL for the 12-month financial period ended 31 December 2003 approximates the statutory tax rate in Hong Kong.

FYE 31 December 2004

The Group's turnover increased by 12.7% to RM63.80 million for the FYE 31 December 2004. The increase was again mainly due to higher demand for UMSE's and HPL's products in the Middle East and UK, respectively.

However, the Group had only managed to record a 0.2% growth in PBT to RM8.58 million for the FYE 31 December 2004. This was mainly due to a reduction in gross profit margin as a result of an increase in key raw material prices, namely copper and other petroleum related products.

The effective tax rate of UMSE for the FYE 31 December 2004 was lower than the statutory tax rate in Malaysia due to the tax incentives in the form of double deduction of eligible expenses and reinvestment allowances claimed. The effective tax rates of HPL for the 12-month financial period ended 31 December 2004 approximates the statutory tax rate in Hong Kong.

FYE 31 December 2005

The Group's turnover increased by 15.4% to RM73.65 million for the FYE 31 December 2005. The increase was mainly due to the increase in the number of local and exports customers of HPL.

However, the Group had only managed to record a 2.9% growth in PBT to RM8.83 million for the FYE 31 December 2005. This was mainly due to the increase in the price of major raw materials during the financial year.

The effective tax rate of UMSE for the FYE 31 December 2005 was lower than the statutory tax rate in Malaysia due to the tax incentives in the form of double deduction of eligible expenses and reinvestment allowances claimed. The effective tax rates of HPL for the 12-month financial period ended 31 December 2005 approximates the statutory tax rate in Hong Kong.

11. FINANCIAL INFORMATION *(cont'd)*

11.1.4 Directors' Declaration on financial performance

As at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), and save as disclosed in Section 11.1.5 of this Prospectus, the Directors of UMSN hereby confirm that the financial condition and operations of the UMSN Group are not affected by any of the following factors:

- (a) any other known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (b) any other material commitments for capital expenditure;
- (c) any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and
- (d) any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

11.1.5 Working capital, borrowings, contingent liabilities, material capital commitment and material litigation

(i) Working capital

The Directors of UMSN are of the opinion that after taking into account the cashflow position, the banking facilities available and the total gross proceeds to be raised from the Rights Issue and Public Issue, the UMSN Group will have adequate working capital for a period of 12 months from the date of this Prospectus.

(ii) Borrowings

As at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), the UMSN Group has total borrowings amounting to approximately RM24.02 million comprising term loans, bank overdrafts and trade facilities, all of which are interest-bearing as set out below:

Types of borrowings	Payable within 12 months RM'000	Payable after 12 months RM'000
Term loans	1,331	1,050
Bank overdrafts	1,587	-
Trade facilities	20,052	-
Total	22,970	1,050

As at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), the Group does not have any foreign currency denominated borrowings, save for the borrowings by HPL amounting to HK\$14.23 million (or RM6.97 million assuming an exchange rate of HK\$1.00:RM0.4898 as at 3 March 2006) and NSVN amounting to US\$206,467 (or RM765,063 assuming an exchange rate of US\$1.00:RM3.7055 as at 3 March 2006).

The Group has not defaulted in any of its payments of either interest and/or principal sums in respect of any borrowings throughout the past 1 financial year and the subsequent period thereof immediately preceding the date of this Prospectus.

11. FINANCIAL INFORMATION (cont'd)**(iii) Contingent liabilities**

As at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), the Directors of UMSN are not aware of any material contingent liabilities which have become enforceable or are likely to become enforceable, which in the opinion of the Directors of UMSN, will or may substantially affect the ability of the UMSN Group or the Company to meet their obligations as and when they fall due.

(iv) Material capital commitments

As at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), the Directors of UMSN are not aware of any material capital commitments incurred or known to be incurred by UMSN or its subsidiaries, which upon becoming enforceable, may have a material impact on the profit or net asset value of the UMSN Group, save as disclosed below:

	RM
Approved and contracted for	
- Purchase of plant and equipment	93,897
- Construction of factory	739,138
- Electrical installation	15,499
- Purchase of software	76,667
- Purchase of Moulds	216,266
Approved but not contracted for	-
Total	1,141,467

(v) Material litigation

As at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), neither UMSN nor its subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of UMSN or its subsidiaries and the Directors of UMSN have no knowledge of any proceedings pending or threatened against UMSN or its subsidiaries or of any facts likely to give rise to any proceedings which may materially and adversely affect the position and business of UMSN or its subsidiaries.

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11. FINANCIAL INFORMATION (cont'd)**11.1.6 Debtors' ageing analysis as at 31 December 2005**

Based on the audited consolidated balance sheet of UMSN as at 31 December 2005, total trade debtors amounted to RM21.56 million (net of provision for doubtful debts). The credit period extended to the customers of the UMSN Group is between 30 to 90 days.

The ageing analysis for the trade debtors as at 31 December 2005 is as follows:

Ageing (days)	0 - 30	31 - 60	61 - 90	90 - 180	> 180	Total	Provision	Subsequent receipt as at 3 March 2006
Trade debtors (RM'000)	7,173	5,257	3,483	5,691	179	21,783	224	6,306
Percentage (%)	32.93	24.13	15.99	26.13	0.82	100.00	1.03	28.95

As at 31 December 2005, UMSN has made full provision for debts which had been outstanding for more than 6 months. UMSN does not have any overdue trade debtors which are in dispute or under legal action as at 31 December 2005. No further allowance for doubtful debts has been made for the remaining overdue receivables as actions have been taken to recover these debts and the Board of Directors of UMSN is of the opinion that the said overdue amounts are recoverable from the respective trade debtors.

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11. FINANCIAL INFORMATION *(cont'd)*

11.2 FUTURE FINANCIAL INFORMATION

11.2.1 Consolidated profit forecast

The Directors of UMSN forecast the consolidated PAT of UMSN for the financial year ending 31 December 2006 will be as follows:

Financial year ending 31 December	Forecast 2006 RM'000
Revenue	88,084
Consolidated PBT	10,333
Less: Taxation	(2,530)
Consolidated PAT	7,803
Weighted average number of Shares in issue ('000) ⁽¹⁾	76,059
Gross EPS (sen)	13.59
Net EPS (sen)	10.26
Gross PE Multiple ⁽²⁾ (times)	5.9
Net PE Multiple ⁽²⁾ (times)	7.8

Notes:

- (1) On the assumption that the Rights Issue and Public Issue are completed on 15 March 2006 and 30 April 2006, respectively
- (2) Computed based on the IPO Price of RM0.80 per IPO Share

Further details on the consolidated profit forecast of UMSN and the principal bases and assumptions are set out in Section 11.2.3 of this Prospectus.

11.2.2 Directors' analysis on the consolidated profit forecast

The Group's turnover is expected to increase by 19.59% to RM88.08 million for the financial year ending 31 December 2006.

The growth in turnover for the UMSN Group is expected to be generated from the following segments:

- (i) increase in sales of existing products from both the domestic market as well as export markets, in particular the Middle East, the African continent and Mainland China;
- (ii) introduction of the neiken™ range of products targeted at the 'medium-high' end market in 2004 is expected to contribute approximately RM7.07 million in turnover for the financial year ending 31 December 2006;
- (iii) penetration of the ICT industry by manufacturing fibre optic patch cables (used to transmit data and signal at high speed over a network) in the 2nd quarter of 2006; and
- (iv) launching of the new power cord sets by UMSE by the 4th quarter of 2006.

The Group continues to actively promote and market its products in the existing markets and seeks for a broader market base geographically. Selected countries and regions have been identified that will provide further growth to the UMSN Group. These countries include Vietnam, Indonesia, Australia, Sri Lanka and other countries within Africa.

11. FINANCIAL INFORMATION (cont'd)

The Group's PBT is expected to increase by 17.06% to RM10.33 million for the financial year ending 31 December 2006. The expected improvements in PBT are in line with the expected increase in turnover.

The Directors of UMSN confirm that they have reviewed and analysed the consolidated profit forecast of UMSN and the underlying bases and assumptions stated therein. The Directors further confirm that, after due and careful enquiry, the consolidated profit forecast is fair and reasonable in light of the risks of the Group's businesses and the prospects of the industry in which it operates and the future prospects and strategies of the Group as set out in Sections 4 and 5 of this Prospectus, respectively, and after taking into consideration the expected gearing level, liquidity and working capital requirements of the UMSN Group.

Notwithstanding the above, the bases and assumptions upon which the consolidated profit forecast have been prepared covers future periods for which there are inherent risks. Accordingly, the Group's actual results for the financial year ending 31 December 2006 may differ materially from the consolidated profit forecast shown herein in the event that market and operating environment varies from those assumed by the Directors of UMSN.

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11. FINANCIAL INFORMATION (cont'd)

11.2.3 Reporting Accountants' letter on the consolidated profit forecast



27 March 2006

The Board of Directors
UMS-Neiken Group Berhad
Lot 5 Batu 17 ½ Jalan Ipoh
Rawang Industrial Estate
48000 Rawang
Selangor Darul Ehsan

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

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Dear Sirs

**UMS-NEIKEN GROUP BERHAD ("UMSN")
CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER
2006**

We have reviewed the consolidated profit forecast of UMSN and its subsidiaries ("UMSN Group") for the financial year ending 31 December 2006, as set out in the accompanying statement which we have initialled for the purpose of identification in accordance with the International Standards on Auditing 810 applicable to the review of forecasts. The forecast has been prepared solely for the inclusion in the Prospectus to be dated 3 April 2006 in connection with the flotation exercise of UMSN on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied on for any other purposes.

The flotation exercise of UMSN involves the following:-

- (a) public issue of 9,500,000 new ordinary shares of RM0.50 each in UMSN ("UMSN Shares") at an issue price of RM0.80 per UMSN Share;
- (b) offer for sale by the shareholders of UMSN of 24,000,000 UMSN Shares at an offer price of RM0.80 per UMSN Share; and
- (c) the listing of and quotation for the entire enlarged issued and paid-up share capital of UMSN comprising 80,000,000 UMSN Shares on the Second Board of Bursa Securities.

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material respects, have been properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by UMSN and its subsidiaries in their audited financial statements for the financial year/period ended 31 December 2005. The Directors of UMSN are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the forecast are based.

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11. FINANCIAL INFORMATION (cont'd)



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

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statements, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by UMSN and its subsidiaries in their audited financial statements for the financial year/period ended 31 December 2005.

Yours faithfully

A handwritten signature in black ink, appearing to be "K. S. S.", written over a horizontal line.

Horwath
Firm No : AF 1018
Chartered Accountants

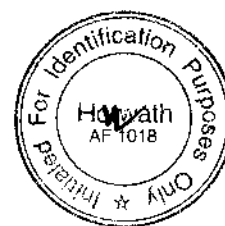
A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

Onn Kien Hoe
Approval No : 1772/11/06(J/PH)
Partner

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11. FINANCIAL INFORMATION (cont'd)

**UMS-NEIKEN GROUP BERHAD ("UMSN")****A. Consolidated Profit Forecast For The Financial Year Ending 31 December 2006**

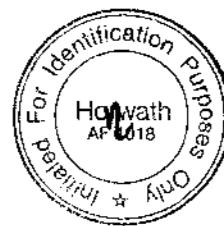
The Directors of UMSN forecast that the consolidated profit after taxation of UMSN and its subsidiaries ("UMSN Group") for the financial year ending 2006 will be as follows:-

	Forecast 2006 RM'000
Consolidated profit before taxation	10,333
Taxation	(2,530)
Consolidated profit after taxation	<u>7,803</u>

B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast

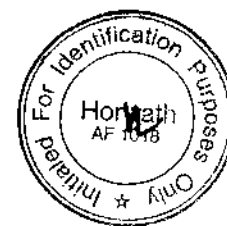
1. The Flotation Exercise (as defined herein) as detailed in Paragraph 19 below is assumed to be implemented as planned.
2. Goodwill or negative goodwill on consolidation representing the difference between the purchase consideration and the fair value of attributable net assets acquired at the acquisition date is retained in the consolidated balance sheet. It is assumed that no amortisation and impairment of goodwill on consolidation is made in the forecast year.
3. There will be no significant changes in the principal activities of the UMSN Group.
4. The factory of Neiken Switchgear (VN) Co. Ltd. ("NSVN"), a wholly owned subsidiary of United MS Electrical Mfg. (M) Sdn Bhd. ("UMSE"), in Vietnam will be ready for production (with all necessary approvals for the operation of a manufacturing concern), and production is assumed to commence in the second quarter of 2006.
5. There will be no significant changes in the purchase prices of raw materials, labour and other operating costs other than those as provided. Any significant increase in the cost of sales will be compensated through an equivalent increase in the selling prices.

11. FINANCIAL INFORMATION (cont'd)

**B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)**

6. There will be no impairment in value of the property, plant and equipment of the UMSN Group during the forecast year.
7. There will be no significant changes in the key management and operating structure of the UMSN Group.
8. There will be no significant changes in the forecasted administrative, selling and distribution, other operating and finance costs other than those as provided.
9. There will be no material acquisition or disposal of property, plant and equipment or investments other than those planned and incorporated in the forecast.
10. There will be no significant changes to the prevailing economic and political conditions in Malaysia, Vietnam, China and Hong Kong and the foreign markets in which the UMSN Group operates that may have an adverse effect on the activities and performance of the UMSN Group.
11. There will be no significant changes in the present legislation or government regulations, direct or indirect taxes and duties, which will adversely affect the activities of the UMSN Group. The income tax rates in Malaysia and Hong Kong will remain at 28% and 17.5% respectively with no significant changes in the bases of taxation. Income generated from Vietnam will be exempted from corporation tax in accordance with the tax holiday granted to the Vietnam subsidiary.
12. UMSE will be able to claim Reinvestment Allowance incentive on the qualifying expenditure on the planned acquisitions of plant and equipment.
13. There will be sufficient manpower and there will be no industrial disputes or disruptions or any other abnormal factors which will adversely affect the operations of the UMSN Group.
14. Inflation rates will not fluctuate significantly from the present forecast level.
15. Exchange rates of foreign currencies will not fluctuate significantly from the prevailing rates.
16. Existing financing facilities will be continued to be made available to the UMSN Group at prevailing interest rates.
17. There will be no major proceedings against the UMSN Group which will adversely affect the activities or performance of the UMSN Group or give rise to any contingent liabilities which will materially affect the financial position or business of the UMSN Group.
18. There will be no significant changes in the accounting policies presently adopted by the UMSN Group.

11. FINANCIAL INFORMATION (cont'd)


B. Principal Bases And Assumptions Relating To The Consolidated Profit Forecast (Cont'd)

19. The details of the flotation exercise of UMSN are as follows:-
- (a) public issue of 9,500,000 new ordinary shares of RM0.50 each in UMSN ("UMSN Shares") at an issue price of RM0.80 per UMSN Share ("Public Issue");
 - (b) offer for sale by the shareholders of UMSN of 24,000,000 UMSN Shares at an offer price of RM0.80 per UMSN Share; and
 - (c) the listing of and quotation for the entire enlarged issued and paid-up share capital of UMSN comprising 80,000,000 UMSN Shares on the Second Board of Bursa Malaysia Securities Berhad.

The above-mentioned are hereinafter collectively referred to as the "Flotation Exercise".

The Public Issue is expected to be completed by 25 April 2006.

20. The estimated listing expenses of RM2.0 million to be incurred in respect of the Flotation Exercise are to be charged to the share premium account upon completion of the Flotation Exercise.
21. Prior to the Flotation Exercise, the UMSN Group has undertaken a rights issue which raised total proceeds of RM1,857,264. The proceeds from the rights issue together with the proceeds from the Public Issue will be utilised as follows:-

	RM'000
Repayment of bank borrowings	5,350
Estimated listing expenses	2,000
Working capital	2,107
	9,457

22. The Company will grant options to employees under the Company's Employee Share Option Scheme ("ESOS") to subscribe for up to 500,000 new UMSN Shares during the forecast year. It is assumed that the options granted under the ESOS will not be exercised in the forecast year.

11. FINANCIAL INFORMATION (cont'd)

11.2.4 Sensitivity Analysis

Changes in selling price

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 11.2.3 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in selling price.

←----- Financial year ending 31 December 2006 ----->				
		Revenue RM'000	PBT RM'000	Change %
Forecast		88,084	10,333	
Increase by	10.0%	96,892	19,141	+85.24%
	5.0%	92,488	14,737	+42.62%
Decrease by	5.0%	83,680	5,928	-42.63%
	10.0%	79,275	1,524	-85.25%

Changes in sales quantity

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 11.2.3 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in sales quantity.

←----- Financial year ending 31 December 2006 ----->				
		Revenue RM'000	PBT RM'000	Change %
Forecast		88,084	10,333	
Increase by	10.0%	96,892	12,225	18.31%
	5.0%	92,488	11,279	9.16%
Decrease by	5.0%	83,680	9,386	-9.16%
	10.0%	79,275	8,440	-18.31%

Changes in cost of sales

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 11.2.3 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in cost of sales.

←----- Financial year ending 31 December 2006 ----->				
		Cost of Sales RM'000	PBT RM'000	Change %
Forecast		69,162	10,333	
Increase by	10.0%	76,079	3,416	-66.94%
	5.0%	72,620	6,874	-33.47%
Decrease by	5.0%	65,704	13,791	+33.47%
	10.0%	62,246	17,249	+66.93%

11. FINANCIAL INFORMATION *(cont'd)*

11.2.5 Dividend forecast

It is the policy of the Directors of UMSN to recommend dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group. Based on the consolidated forecast PAT of the UMSN Group of RM7.80 million for the financial year ending 31 December 2006, the Directors of UMSN anticipate that the Company will be in a position to propose gross dividend of 5.8 sen per Share (less tax of 28%) for the financial year ending 31 December 2006 based on its enlarged issued and paid-up share capital of 80,000,000 Shares.

The intended appropriations of the consolidated forecast PAT of the UMSN Group attributable to shareholders for the financial year ending 31 December 2006 will be as follows:

Financial year ending 31 December	Forecast 2006 RM'000
PBT	10,333
Taxation	(2,530)
PAT	7,803
Less: proposed dividend	(3,360)
Profit retained for the financial year	4,443
Dividend per Share (sen)	
Gross dividend per Share	5.8
Net dividend per Share	4.2
Dividend yield (%)	
Gross dividend yield based on the IPO Price of RM0.80 per Share	7.3
Net dividend yield based on the IPO Price of RM0.80 per Share	5.2
Net dividend cover (times)	2.3

Investors should take note that future dividends may not be declared and paid if:

- (i) the Group incurs losses for the financial year; or
- (ii) the Group has insufficient cashflows to meet any dividend payment.

Notwithstanding the above, the Directors of UMSN have full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Company.

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11. FINANCIAL INFORMATION *(cont'd)*

11.3 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED
BALANCE SHEETS AS AT 31 DECEMBER 2005



Horwath *AF No 1018*
Kuala Lumpur Office
Chartered Accountants

27 March 2006

The Board of Directors
UMS-Neiken Group Berhad
Lot 5 Batu 17 ½ Jalan Ipoh
Rawang Industrial Estate
46000 Rawang
Selangor Darul Ehsan

Level 16 Tower C
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horwath@po.jaring.my

Dear Sirs/Madam

**UMS-NEIKEN GROUP BERHAD ("UMSN")
PROFORMA CONSOLIDATED BALANCE SHEETS**

We have reviewed the Proforma Consolidated Balance Sheets of UMSN and its subsidiaries ("UMSN Group") as at 31 December 2005 together with the accompanying notes thereto, for which the Directors are solely responsible, as set out in the accompanying statement (initialled by us for the purpose of identification only) prepared solely for the inclusion in the Prospectus to be dated 3 April 2006 in connection with the flotation exercise of UMSN on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied on for any other purposes.

The flotation exercise of UMSN involves the following:-

- (a) public issue of 9,500,000 new ordinary shares of RM0.50 each in UMSN ("UMSN Shares") at an issue price of RM0.80 per UMSN Share;
- (b) offer for sale by the shareholders of UMSN of 24,000,000 UMSN Shares at an offer price of RM0.80 per UMSN Share; and
- (c) the listing of and quotation for the entire enlarged issued and paid-up share capital of UMSN comprising 80,000,000 UMSN Shares on the Second Board of Bursa Securities.

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11. FINANCIAL INFORMATION (cont'd)



In our opinion, the Proforma Consolidated Balance Sheets as appended herewith, which are prepared for illustrative purposes only:-

- (i) have been properly prepared on the bases set out in the notes thereto;
- (ii) are presented on a basis consistent with the accounting policies normally adopted by the UMSN Group; and
- (iii) the adjustments to the Proforma Consolidated Balance Sheets as at 31 December 2005 are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

Yours faithfully

A handwritten signature in black ink, appearing to be "J. P. W.", written over a faint horizontal line.

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a faint horizontal line.

Onn Kien Hoe
Approval No : 1772/11/06(J/PH)
Partner

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang • Prai

11. FINANCIAL INFORMATION (cont'd)



UMS-NEIKEN GROUP BERHAD ("UMSN")

PROFORMA BALANCE SHEETS

	Audited As at 31.12.2005 RM'000	Proforma I After Rights Issue RM'000	Proforma II After (I) and Public Issue RM'000	Proforma III After (II) and ESOS RM'000
Non current assets				
Property, plant and equipment	16,027	16,027	16,027	16,027
Investment in shares	3	3	3	3
Investment in associates	114	114	114	114
Development expenditure	895	895	895	895
	17,039	17,039	17,039	17,039
Current assets				
Inventories	15,944	15,944	15,944	15,944
Trade receivables	21,559	21,559	21,559	21,559
Other receivables, deposits and prepayments	3,579	3,579	3,579	3,579
Amount owing by intermediate holding company	1,816	-	-	-
Amount owing by associates	399	399	399	399
Amount owing by related parties	10,134	5,432	5,432	5,432
Tax recoverable	13	13	13	13
Fixed deposits with licensed banks	5,735	5,735	5,735	5,735
Cash and bank balances	714	7,649	7,899	17,499
	59,893	60,310	60,580	70,160
Current liabilities				
Trade payables	4,616	4,616	4,616	4,616
Other payables and accruals	2,290	2,290	2,290	2,290
Amount owing to related parties	4,737	4,737	4,737	4,737
Provision for taxation	275	275	275	275
Short term bank borrowings	22,968	22,968	17,618	17,618
Bank overdrafts	3,350	3,350	3,350	3,350
Dividend payable	1,440	-	-	-
	39,676	38,236	32,886	32,886
Net current assets	20,217	22,074	27,674	37,274
	37,256	39,113	44,713	54,313
Financed by:-				
Share capital	33,393	35,250	40,000	46,000
Share premium	-	-	850	4,450
Retained profits	283	283	283	283
Negative goodwill	923	923	923	923
Foreign currency translation reserves	62	62	62	62
Shareholders' equity	34,661	36,518	42,118	51,718
Non-current liabilities				
Term loan	1,050	1,050	1,050	1,050
Deferred taxation	1,545	1,545	1,545	1,545
	37,256	39,113	44,713	54,313
Number of ordinary shares of RM0.50 each in issue (RM'000)	66,785	70,500	80,000	92,000
NTA per ordinary share (RM)	0.51	0.51	0.52	0.55

11. FINANCIAL INFORMATION (cont'd)



UMS-NEIKEN GROUP BERHAD ("UMSN")

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

1. Basis of Preparation

The Proforma Consolidated Balance Sheets of UMSN have been prepared on the basis and accounting principles consistent with those adopted in the preparation of the audited financial statements of UMSN Group as at 31 December 2005, and is solely for illustrative purposes, to show the effects of the corporate exercises as though they were effected as of that date.

1.1 Proforma I

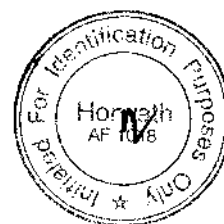
Proforma I incorporates the effects of the Rights Issue of 3,714,528 new UMSN Shares at par on the basis of approximately 195 new UMSN Shares for every 3,506 existing UMSN Shares held ("Rights Issue").

The following are assumed to be completed under Proforma I:-

- (i) payment of dividend by UMSN to its shareholders of RM1.44 million; and
- (ii) the repayment of the non-trade debts by the related parties, namely:-

- (a) United MS Holdings Sdn Bhd and United MS Cables Mfg Sdn Bhd as at 31 December 2005 of approximately RM1,816,000 and RM2,301,000 respectively to UMSE; and

- (b) High Project Holdings Limited as at 31 December 2005 of approximately RM2,401,000 (HKD4,900,000) to HPL.

11. FINANCIAL INFORMATION (cont'd)**UMS-NEIKEN GROUP BERHAD ("UMSN")****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)****1.2 Proforma II**

Proforma II incorporates the effects of Proforma I and the Public Issue of 9,500,000 new UMSN Shares at an issue price of RM0.80 per UMSN Share ("Public Issue"). The proceeds from the Rights Issue and Public Issue are assumed to be utilised in the following manner:

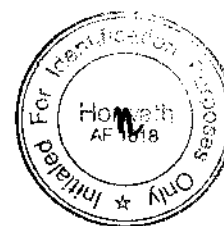
	RM'000
Repayment of bank borrowings	5,350
Payment of listing expenses (estimate)	2,000
Working capital	2,107
	<u>9,457</u>

The estimated listing expenses of RM2,000,000 have been debited against the share premium account whilst the working capital portion is shown under cash and bank balances in the proforma balance sheet.

1.3 Proforma III

Proforma III incorporates the effects of Proforma II and the full exercise of the employees share option scheme of up to 15% of the enlarged issued and paid-up share capital of UMSN at an assumed exercise price of RM0.80 per share ("ESOS").

11. FINANCIAL INFORMATION (cont'd)



UMS-NEIKEN GROUP BERHAD ("UMSN")

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONT'D)

2. Share Capital

The movements in the issued and paid-up share capital of UMSN are as follows: -

<i>Issued and Fully Paid-up Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Amount of Share Capital RM'000</i>
Ordinary shares of RM0.50 each as at 31 December 2005	66,785,472	33,393
Rights Issue	3,714,528	1,857
As per Proforma I	70,500,000	35,250
Public Issue	9,500,000	4,750
As per Proforma II	80,000,000	40,000
Full exercise of the ESOS	12,000,000	6,000
	92,000,000	46,000

3. Share Premium Account

The listing expenses estimated at RM2.0 million, have been debited against the share premium account under Proforma II. The movements in the share premium account are as follows:-

	RM'000
As at 31 December 2005 / As per Proforma I	-
Share premium arising from the Public Issue	2,850
Estimated listing expenses	(2,000)
As per Proforma II	850
Share premium arising from the full exercise of the ESOS	3,600
As per Proforma III	4,450

12. ACCOUNTANTS' REPORT



Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

27 March 2006

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Dear Sirs

**UMS-NEIKEN GROUP BERHAD ("THE COMPANY" OR "UMSN")
ACCOUNTANTS' REPORT**

1. PURPOSE OF REPORT

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of UMSN to be dated 3 April 2006 in connection with the following:

- (a) the public issue of 9,500,000 new ordinary shares of RM0.50 each in UMSN ("UMSN Shares") at an issue price of RM0.80 per UMSN Share ("Public Issue");
- (b) the offer for sale by the shareholders of UMSN of 24,000,000 UMSN Shares at an offer price of RM0.80 per UMSN Share reserved for Bumiputera investors nominated/approved by the Ministry of International Trade and Industry ("Offer For Sale"); and
- (c) the listing of and quotation for the entire enlarged issued and paid-up share capital of UMSN comprising 80,000,000 UMSN Shares on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

2. DETAILS OF UMSN AND ITS SUBSIDIARIES

2.1 THE COMPANY

The Company was incorporated on 26 April 2004 in Malaysia as a private limited company under the Malaysian Companies Act, 1965 under the name of UMS-Neiken Group Sdn. Bhd. The Company assumed its present name upon its conversion to a public company on 17 August 2004.

The Company is principally an investment holding company.

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12. ACCOUNTANTS' REPORT (cont'd)**2.2 LISTING SCHEME**

In conjunction with and as an integral part of the listing of UMSN on the Second Board of Bursa Securities, the Company undertook/will undertake the following restructuring exercise which have been approved by the relevant authorities:-

- (a) Revaluation of certain landed properties of United MS Electrical Mfg. (M) Sdn. Bhd. ("UMSE") located at Lot No PT 10347, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan and Developer's Sub Plot No E, Taman Bukit Rawang Jaya, Rawang, Selangor Darul Ehsan;
- (b) Dividend payment by UMSE and HPL to their respective shareholders out of the earnings generated from 1 January 2004 to the date prior to the completion of the acquisitions of UMSE and HPL;
- (c) Acquisition by UMSN of the entire issued and paid-up share capital of UMSE comprising 8,550,000 ordinary shares of RM1.00 each in UMSE for a total purchase consideration of RM27,538,947, satisfied through the issuance of 55,077,894 new UMSN Shares at par ("Acquisition of UMSE");
- (d) Acquisition by UMSN of 86.36% equity interest in High Project Ltd. ("HPL") comprising 7,600,000 ordinary shares of HK\$1.00 each in HPL for a total purchase consideration of RM5,853,689, satisfied through the issuance of 11,707,378 new UMSN Shares at par ("Acquisition of HPL");
- (e) Transfer of UMSE's entire investment in HPL to UMSN comprising 1,200,000 ordinary shares of HK\$1.00 each representing 13.64% of the issued and paid-up share capital of HPL for a total purchase consideration of RM924,552 satisfied by an amount owing by UMSN to UMSE;
- (f) Rights issue of 3,714,528 new UMSN Shares at par on the basis of approximately 195 new UMSN Shares for every 3,506 existing UMSN Shares held subsequent to the completion of the Acquisition of UMSE and Acquisition of HPL ("Rights Issue");
- (g) Public issue of 9,500,000 new UMSN Shares at an issue price of RM0.80 per share payable in full upon application ("Public Issue");
- (h) Offer for sale by the shareholders of UMSN of 24,000,000 UMSN Shares at an offer price of RM0.80 per UMSN Share to Bumiputera investors and institutions nominated/approved by the Ministry of International Trade and Industry, payable in full upon application; and
- (i) Admission of UMSN to the Official List of Bursa Securities and the listing of and quotation for UMSN's entire enlarged issued and paid-up share capital of RM40,000,000 comprising 80,000,000 UMSN Shares on the Second Board of the Bursa Securities.

The Acquisitions of UMSE and HPL and the Rights Issue have been completed on 8 September 2005, 30 September 2005, and 15 March 2006 respectively.

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12. ACCOUNTANTS' REPORT (cont'd)**2.3 DETAILS OF THE SUBSIDIARIES**

A summary of the details of the subsidiaries of UMSN are as follows:-

Name of Company	Date Of Incorporation	Issued and paid-up share capital	Effective Equity Interest	Principal Activities
UMSE	23 December 1980	RM8,550,000	100%	Designing, manufacturing and trading of electrical wiring accessories.
HPL	12 August 1993	HK\$8,800,000	100%	Designing, manufacturing and trading of power cord sets as well as trading of cable reels.
Neiken Switchgear (VN) Co Ltd ("NSVN")	29 July 2004	USD400,000 ^	100%*	Manufacturing and trading of electrical wiring accessories.

^ Represents the paid up legal capital
* Subsidiary of UMSE

UMSN and its subsidiaries are hereinafter referred to as the Group.

2.4 DETAILS OF THE ASSOCIATES

A summary of the details of the associates of UMSN are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest 2005 %	Principal Activities
Neiken Africa (Proprietary) Limited ^	Republic of Botswana	50	Wholesale and distribution of electrical wiring accessories and related products.
Neiken Switchgear (S) Pte. Ltd. ^	Republic of Singapore	50	Wholesale and distribution of electrical wiring accessories and related products.

^ - Interest held by UMSE.

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12. ACCOUNTANTS' REPORT (cont'd)**2.4 DETAILS OF THE ASSOCIATES (CONT'D)**

The effects of equity accounting had not been disclosed as the results of the associates are not material.

3. SHARE CAPITAL

As at the date of this Report, the authorised share capital of UMSN is RM50,000,000 comprising 100,000,000 UMSN Shares.

The issued and paid-up share capital of UMSN as of the date of this report is RM35,250,000 comprising 70,500,000 UMSN Shares.

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

Date of Allotment	Number of ordinary shares issued	Resultant number of ordinary shares in issue	Par value	Type of issue	Cumulative issued and paid-up ordinary share capital
			RM per share		RM
26 April 2004	200	200	0.50	Subscribers' shares	100
8 September 2005	55,077,894	55,078,094	0.50	Acquisition of UMSE	27,539,047
30 September 2005	11,707,378	66,785,472	0.50	Acquisition of HPL	33,392,736
15 March 2006	3,714,528	70,500,000	0.50	Rights Issue	35,250,000

Upon completion of the Public Issue as detailed in paragraph 2.2(g), the issued and fully paid-up share capital of UMSN will be increased to RM40,000,000 comprising 80,000,000 UMSN Shares.

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12. ACCOUNTANTS' REPORT (cont'd)

**4. RELEVANT FINANCIAL PERIOD**

The relevant financial period for the purpose of this Report ("Relevant Financial Period") is as follows:-

Company	Relevant Financial Period
UMSN	Financial period from 26 April 2004 (date of incorporation) to 31 December 2004 and the financial year ended 31 December 2005.
UMSE	Financial years ended 31 December 2001 to 2005.
HPL	Financial years ended 31 March 2001 to 2005 and the 9-month financial period from 1 April 2005 to 31 December 2005.
NSVN	Financial period from 29 July 2004 (date of incorporation) to 31 December 2004 and the financial year ended 31 December 2005.

5. ACCOUNTING STANDARDS AND POLICIES**5.1 BASIS OF PREPARATION**

The financial statements of the Group is prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

12. ACCOUNTANTS' REPORT (cont'd)



5.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of this Report are as follows:-

(a) Financial Instruments

Financial instruments are recognised in the balance sheet date when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries.

A subsidiary is defined as an enterprise in which the Company has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair value of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

12. ACCOUNTANTS' REPORT (cont'd)



5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill or Negative Goodwill On Consolidation

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of subsidiaries at the date of acquisition. Negative goodwill represents the excess of the Group's share of the fair values of the separable net assets of subsidiaries at the date of acquisition over the fair value of the purchase consideration.

Goodwill is stated net of negative goodwill. The net carrying amount of goodwill is reviewed annually, and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the consolidated income statement.

(d) Investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates are initially stated at cost in the balance sheet of the Company and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

Other investments

Other investments held for long term purposes are stated at cost. Allowance for diminution in value is only made if the directors are of the opinion that the diminution is permanent.

(e) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost or revalued amount and is not depreciated.

Depreciation is calculated under the straight-line method to write off the cost or the revalued amount of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Freehold buildings	2% - 10%
Plant and machinery	5% - 20%
Motor vehicles	10% - 20%
Office equipment	10%
Furniture and fittings	15% - 20%
Electrical installation	20%

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12. ACCOUNTANTS' REPORT (cont'd)

**5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Impairment of Assets**

The carrying values of assets, other than those to which FRS 136 Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on a same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and an appropriate proportion of production overheads.

In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(h) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

12. ACCOUNTANTS' REPORT *(cont'd)*



5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Development Expenditure

Research expenditure is written off to the income statement when incurred. Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure capitalised comprises costs incurred for development including direct and attributable indirect costs. Development costs initially recognised as an expense are not recognised as assets in the subsequent period.

Development costs that have been capitalised are amortised on a straight-line basis over the period of their expected benefit, but not exceeding 5 years, from the commencement of production of the products.

(j) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(k) Interest-bearing Borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

12. ACCOUNTANTS' REPORT (cont'd)

**5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(l) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Employee Benefits**(i) Short-term Benefits**

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(o) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are converted at the rates ruling as of that date. All exchange differences are taken to the income statement.

The financial statements of the foreign subsidiaries are translated into Ringgit Malaysia using the current rate method for the balance sheet whilst the average rate is used for the translation of the income statement for consolidation purposes. All exchange differences arising are taken directly to equity as a movement in the foreign exchange translation reserve. Foreign exchange differences relating to foreign subsidiaries are recognised as income or expense on the disposal of the subsidiaries.

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12. ACCOUNTANTS' REPORT *(cont'd)*



5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Taxation

Taxation for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

(q) Revenue Recognition

(i) Sale of Goods

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Dividend Income

Dividend income from investments is recognised when the right to receive payment is established.

(iii) Interest Income

Interest income is recognised on an accrual basis.

5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

There were no material changes in the significant accounting policies adopted by the Group during the Relevant Financial Period.

12. ACCOUNTANTS' REPORT (cont'd)

**6. AUDITORS AND AUDIT REPORTS****6.1 AUDITORS**

We have acted as auditors for the UMSN Group for the following financial years/periods:-

Company	Financial Years/Periods
UMSN	Financial period ended 31 December 2004 and financial year ended 31 December 2005.
UMSE	Financial years ended 31 December 2003 to 2005.
HPL	Financial period ended 31 December 2005.

The financial statements of UMSE for the financial years ended 31 December 2001 and 2002 were audited by Messrs Phang & Co.

The financial statements of HPL for the financial years ended 31 March 2001 to 31 March 2005 were audited by Messrs Joseph S.T. Yu & Co.

The financial statements of NSVN for the financial period ended 31 December 2004 and financial year ended 31 December 2005 were audited by Messrs. DTL Auditing Company, a member firm of Horwath International.

6.2 AUDIT REPORTS

The auditors' reports for UMSN, UMSE, HPL and NSVN for the Relevant Financial Period were reported upon without any qualification.

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12. ACCOUNTANTS' REPORT (cont'd)



7. SUMMARISED INCOME STATEMENTS

7.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF UMSN GROUP

The summarised proforma consolidated results of the Group for the Relevant Financial Period have been prepared on the assumption that the Group had been in existence throughout the Relevant Financial Period and the Group's audited results for the financial year ended 31 December 2005. The proforma consolidated income statements as set out below, are prepared for illustrative purposes only and should be read in conjunction with the notes thereto:-

	Financial year ended 31 December				Audited Group 2005 RM'000
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	
Turnover	37,580	44,993	56,604	63,804	73,650
Earnings before interest, depreciation, taxation and amortisation	6,800	7,271	10,914	10,757	11,459
Less: Depreciation and amortisation	(1,459)	(1,508)	(1,822)	(1,671)	(1,987)
Interest expense	(581)	(555)	(574)	(592)	(770)
Add : Interest income	47	38	42	85	125
Profit before taxation	4,807	5,246	8,560	8,579	8,827
Taxation	(1,227)	(1,291)	(1,815)	(1,667)	(2,146)
Profit after taxation	3,580	3,955	6,745	6,912	6,681
Pre-acquisition profit	-	-	-	-	(4,948)
	3,580	3,955	6,745	6,912	1,733
Assumed number of ordinary shares [^] ('000)	66,785	66,785	66,785	66,785	66,785
Gross earnings per share ("EPS") (sen)	7.2	7.9	12.8	12.8	13.2
Net EPS (sen)	5.4	5.9	10.1	10.3	10.0
Effective tax rate (%)	25.5	24.6	21.2	19.4	24.3

[^] - The assumed number of ordinary shares in UMSN is based on the enlarged share capital of UMSN upon completion of the Acquisition of UMSE and the Acquisition of HPL, but before the Rights Issue and Public Issue.

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12. ACCOUNTANTS' REPORT (cont'd)

**7. SUMMARISED INCOME STATEMENTS (CONT'D)****7.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF UMSN GROUP (CONT'D)**

Notes to the Proforma Consolidated Income Statements of the Group:-

- (a) The proforma consolidated income statements are prepared based on the audited income statements of UMSN, UMSE, HPL and NSVN. The financial year end of HPL was 31 March and the results of HPL have been time apportioned in order to be coterminous with the financial year end of the Group.
- (b) There was no exceptional or extraordinary item in the Relevant Financial Period under review.
- (c) The effective tax rates of UMSE for the financial years ended 31 December 2001, 2003, 2004 and 2005 were lower than the statutory tax rate due to the tax incentives in the form of double deduction of eligible expenses and reinvestment allowances claimed. The effective tax rate for the financial year ended 31 December 2002 approximated the statutory tax rate in Malaysia.

The effective tax rates of HPL for the financial years ended 31 March 2001 to 2005 approximated the statutory tax rate in Hong Kong. However, the effective tax rates for the 9-month financial period from 1 April 2005 to 31 December 2005 was higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

- (d) The gross EPS for the financial years ended 31 December 2001 to 2005 are computed by dividing the profit before taxation by the assumed number of ordinary shares in issue upon completion of the Acquisition of UMSE and the Acquisition of HPL, but before the Rights Issue and Public Issue, for the respective Relevant Financial Period under review.
- (e) The net EPS for the financial years ended 31 December 2001 to 2005 are computed by dividing the profit after taxation by the assumed number of ordinary shares in issue upon completion of the Acquisition of UMSE and the Acquisition of HPL, but before the Rights Issue and Public Issue, for the respective Relevant Financial Period under review.
- (f) All significant intra-group transactions are eliminated on consolidation and the consolidation results reflect external transactions only.

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12. ACCOUNTANTS' REPORT (cont'd)



7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.2 INCOME STATEMENTS OF UMSN

The summarised results of UMSN based on its audited financial statements for the Relevant Financial Period are set out below:-

	Financial period from 26 April 2004 (date of incorporation) to 31 December 2004 RM'000	Financial year ended 31 December 2005 RM'000
Turnover	-	2,200
(Loss)/Profit before interest, depreciation, taxation and amortisation	(10)	2,191
Less: Depreciation charges	-	-
Interest expense	-	-
Add: Interest income	-	-
(Loss)/Profit before taxation	(10)	2,191
Taxation	-	(616)
(Loss)/Profit after taxation	(10)	1,575
Number of ordinary shares of RM0.50 each in issue	200	66,785,000
Gross (loss per share) ("LPS")/EPS (RM)	*(50)	0.03
Net LPS/EPS (RM)	*(50)	0.02
Effective tax rate (%)	N/A	28.1

* - Not annualised

N/A - Not applicable.

Notes to the income statements of UMSN:-

- (a) Turnover represents dividend income from one of its subsidiaries, UMSE;
- (b) The loss incurred by UMSN in the financial period ended 31 December 2004 was mainly due to the incorporation costs and related expenses.

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12. ACCOUNTANTS' REPORT (cont'd)**7. SUMMARISED INCOME STATEMENTS (CONT'D)****7.3 INCOME STATEMENTS OF UMSE**

The summarised results of UMSE based on its audited financial statements for the Relevant Financial Period are set out below:-

	Financial year ended 31 December				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Turnover	24,239	29,137	32,736	39,300	40,447
Earnings before interest, depreciation, taxation and amortisation	4,911	5,462	9,242	9,259	10,200
Less: Depreciation charges	(1,209)	(1,411)	(1,766)	(1,562)	(1,750)
Interest expense	(436)	(463)	(465)	(450)	(563)
Add: Interest income	21	35	30	42	42
Profit before taxation	3,287	3,623	7,041	7,289	7,929
Taxation	(865)	(1,019)	(1,525)	(1,475)	(1,893)
Profit after taxation	2,422	2,604	5,516	5,814	6,036
Number of ordinary shares of RM1.00 each in issue ('000)	8,550	8,550	8,550	8,550	8,550
Gross EPS (sen)	38.4	42.4	82.4	85.3	92.7
Net EPS (sen)	28.3	30.5	64.5	68.0	70.6
Effective tax rate (%)	26.4	28.1	21.7	20.2	23.9

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12. ACCOUNTANTS' REPORT (cont'd)



7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.3 INCOME STATEMENTS OF UMSE (CONT'D)

Notes to the income statements of UMSE:-

- (a) Turnover increased for the financial years 2001 to 2005. This was mainly due to increase in demand for UMSE's products mostly driven by growth in the export market.
- (b) Profit before taxation rose significantly for the financial year 2003 due mainly to the improvement in the gross profit margin on the back of a higher turnover, and the reduction in operating overheads.
- (c) There was no exceptional or extraordinary item in the Relevant Financial Period under review.
- (d) The effective tax rates for the financial years ended 31 December 2001, 2003, 2004 and 2005 were lower than the statutory tax rate due to the tax incentives in the form of double deduction of eligible expenses and reinvestment allowances claimed.

The effective tax rate for the financial year ended 31 December 2002 approximated the statutory tax rate in Malaysia.

- (e) The gross EPS for the financial years ended 31 December 2001 to 2005 are computed by dividing the profit before taxation by the number of ordinary shares in issue, for the respective Relevant Financial Period under review.
- (f) The net EPS for the financial years ended 31 December 2001 to 2005 are computed by dividing the profit after taxation by the number of ordinary shares in issue, for the respective Relevant Financial Period under review.

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12. ACCOUNTANTS' REPORT (cont'd)



7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.4 INCOME STATEMENTS OF HPL

The summarised results of HPL based on its audited financial statements for the Relevant Financial Years/Period are set out below:-

	Financial year ended 31 March					9-month financial period ended 31 December 2005
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	RM'000
Turnover	11,939	13,808	16,538	24,700	26,052	26,678
Earnings before interest, depreciation, taxation and amortisation	1,960	3,006	1,767	1,832	1,713	1,542
Less: Depreciation charges	(573)	(375)	(316)	(312)	(322)	(236)
Interest expense	(167)	(138)	(92)	(121)	(147)	(204)
Add: Interest income	20	56	33	43	46	83
Profit before taxation	1,240	2,549	1,392	1,442	1,290	1,185
Taxation	(206)	(413)	(225)	(257)	(223)	(198)
Profit after taxation	1,034	2,136	1,167	1,185	1,067	987
Number of ordinary shares of HK\$1.00 each in issue ('000)	8,800	8,800	8,800	8,800	8,800	8,800
Gross EPS (sen)	14.1	29.0	15.8	16.4	14.7	13.5*
Net EPS (sen)	11.8	24.3	13.3	13.5	12.1	11.2*
Effective tax rate (%)	16.6	16.2	16.1	17.8	17.3	16.7
Average exchange rates used to translate the income statements of HPL from HK\$ to RM (RM : HK\$1)	0.4876	0.4872	0.4872	0.4886	0.4877	0.4886

* - Not annualised

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12. ACCOUNTANTS' REPORT (cont'd)



7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.4 INCOME STATEMENTS OF HPL (CONT'D)

Notes to the Income Statements of HPL:-

- (a) Turnover increased for the financial years 2001 to 2005. This was mainly due to the increase in export sales of cable reels to the United Kingdom.
- (b) Profit before taxation was higher for the financial year ended 31 March 2002. This was mainly due to the gain on disposal of two (2) units of machine sold to UMSE amounting to approximately RM1,169,000. Despite an increase in turnover for the financial years ended 31 March 2003, 2004 and 2005 and the 9 month financial period from 1 April 2005 to 31 December 2005, the profits before taxation of HPL remained consistent as a result of an increase in the cost of raw materials.
- (c) There was no exceptional or extraordinary item in the Relevant Financial Period under review.
- (d) Effective tax rates for the financial years ended 31 March 2001 to 2005 and the 9-month financial period from 1 April 2005 to 31 December 2005 approximated the statutory tax rate in Hong Kong.
- (e) The gross EPS for the financial years ended 31 March 2001 to 2005 and the 9-month financial period from 1 April 2005 to 31 December 2005 are computed by dividing the profit before taxation by the number of ordinary shares in issue, for the respective Relevant Financial Period under review.
- (f) The net EPS for the financial years ended 31 March 2001 to 2005 and the 9-month financial period from 1 April 2005 to 31 December 2005 are computed by dividing the profit after taxation by the number of ordinary shares in issue, for the respective Relevant Financial Period under review.

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12. ACCOUNTANTS' REPORT (cont'd)**7. SUMMARISED INCOME STATEMENTS (CONT'D)****7.5 INCOME STATEMENTS OF NSVN**

The summarised results of NSVN based on its audited financial statements for the Relevant Financial Period are set out below:-

	Financial period from 29 July 2004 (date of incorporation) to 31 December 2004 RM'000	Financial year ended 31 December 2005 RM'000
Turnover	-	-
Loss before interest, depreciation, taxation and amortisation	(11)	(79)
Less: Depreciation charges	-	1
Interest expense	-	(4)
Add: Interest income	-	-
Loss before taxation	(11)	(82)
Taxation	-	-
Loss after taxation	(11)	(82)
Assumed number of ordinary shares of USD1.00 each in issue ('000)	266	400
Gross LPS (sen)	*(4.1)	(20.5)
Net LPS (sen)	*(4.1)	(20.5)
Effective tax rate (%)	N/A	N/A
Average exchange rates used to translate the income statements of NSVN from USD to RM (RM : USD1)	3.80	3.79

The losses incurred by NSVN for the Relevant Financial Period were mainly due to the incorporation costs and start-up expenses.

* - Not annualised

N/A - Not applicable.

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