

UMS-NEIKEN GROUP BERHAD
(Company No: 650473-V)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2007

PART A: EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS 134”)

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with FRS 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006.

The accounting policies and methods of computation adopted in this quarterly financial statements of the Group are consistent with those adopted for the annual financial statements of the Group for the financial year ended 31 December 2006.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2006.

FRS 124 - Related Party Disclosures has been adopted by the Group for the financial period commencing 1 January 2007 in accordance with the requirements of the accounting standard.

The Group anticipates that the adoption of FRS 124 will not have material effects to the Group and relevant disclosures have been made in Note A15 on significant related party transactions.

FRS 6 - Exploration for and Evaluation of Mineral Resources has been issued and is effective for financial periods beginning on or after 1 January 2007. This standard is not relevant to the Group's operations.

FRS 139 - Financial Instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by Malaysia Accounting Standards Board. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group will apply this standard when it becomes effective

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PART A: EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS 134”) (CONT’D)

A3. Status of audit qualifications

The auditors’ report on the financial statements for the financial year ended 31 December 2006 was not subject to any qualification.

A4. Seasonal and Cyclical Factors

The Group’s business operations were not materially affected by any major seasonal or cyclical factors.

A5. Nature and Amount of Exceptional and Extraordinary Items

There were no items of unusual nature and/or amount affecting assets, liabilities, equity, net income or cash flow during the current quarter under review.

A6. Changes in Estimates

There was no material changes in estimates used for the preparation of this interim financial report.

A7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the financial quarter under review.

A8. Dividends Paid

Interim dividend of RM0.50 per share amounting to approximately to RM3,390,000 in respect of the financial year ended 31 December 2006 was paid on 28 May 2007. No dividend in respect of the current financial year has been proposed and paid during the quarter under review.

A9. Segment information

Business Segment

The principal businesses of the Group are designing, manufacturing and trading of electrical wiring accessories which are substantially within a single business segment, and therefore, segmental reporting is deemed not necessary.

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PART A: EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS 134”) (CONT’D)

A9. Segment information (Cont’d)

Geographical Segment

In determining the geographical segments of the Group, segment revenue is based on the country of operations.

The Group’s financial information analysed by geographical segment is as follows:

	Current Year Quarter Ended 30.6.2007		Preceding Year Corresponding Quarter Ended 30.6.2006	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Revenue RM’000	Profit Before Taxation RM’000	Revenue RM’000	Profit Before Taxation RM’000
Malaysia	11,989	1,809	10,805	1,660
Hong Kong	12,918	388	10,731	635
Vietnam	-	(51)	-	(84)
	<u>24,907</u>	<u>2,146</u>	<u>21,536</u>	<u>2,211</u>

A10. Revaluation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

There was no revaluation of property, plant and equipment during the financial quarter under review.

A11. Significant Events Subsequent to the End of the Financial Period

There were no significant events subsequent to 30 June 2007 and up to date of this report.

A12. Effect of Changes in the Composition of the Group

On 22 May 2007, the Company incorporated a 90% owned subsidiary company, known as UMS-Universal Sales & Services Sdn Bhd (Company No: 774275-D) (“UMS-Universal”) with an issued and fully paid-up share capital of RM100 comprising 100 ordinary shares of RM1.00 each.

UMS-Universal is presently dormant and its proposed business is to principally involve in the sales and services of electrical home appliances.

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PART A: EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS 134”) (CONT’D)

A13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as of the end of the financial period to date.

A14. Commitments

The Group has obtained a foreign exchange contract from a financial institution amounting to approximately RM4,525,374.

A15. Significant Related Party Transactions

The recurrent related party transactions (“RRPT”) involved the sales and purchases of finished goods and raw materials. The RRPT had been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties.

Transaction parties	Nature of transaction	Current Year Quarter 30.6.2007 RM'000 (Unaudited)	Preceding Year Corresponding Quarter 30.6.2006 RM'000 (Unaudited)	Cumulative Current Year to Date 30.6.2007 RM'000 (Unaudited)	Cumulative Preceding Year Corresponding Quarter 30.6.2006 RM'000 (Unaudited)
Ming Kee Manufacturing Limited (“MKK”)	Purchase of fuse link, screws, inserts, cable, plug, metalware, etc	760	692	1,511	1,195
MKK	Sales of power cordset; pvc compound, etc	22	31	96	49
High Project Electric Wire & Cable Manufactory (Fenghua) Limited (“HPC”)	Purchase of cable reel, power cordset, etc	6,472	4,977	16,304	11,356
HPC	Product testing fee	-	18	-	70
United MS Cables Mfg. Sdn. Bhd. (“UMSC”)	Purchase of electrical wire	187	-	187	-

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PART A: EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS 134”) (CONT’D)

A16. Cash and cash equivalents

	At 30.6.2007	At 30.6.2006
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Fixed deposits with licensed banks	582	3,458
Cash and bank balances	2,177	833
Bank overdraft	(1,758)	(1,002)
	<u>1,001</u>	<u>3,289</u>

A17. Translation of Foreign Currency Financial Statements

For consolidation purposes, all foreign currency monetary assets and liabilities and the financial statements of the Group’s foreign subsidiaries, High Project Limited and Nieken Switchgear (VN) Co. Ltd had been translated at the exchange rates ruling at the balance sheet date.

The applicable closing foreign exchange rates used (expressed on the basis on one unit of foreign currency to Ringgit Malaysia equivalent) in the translation of foreign currency monetary assets and liabilities and the financial statements of the foreign subsidiaries are as follows:-

	RM
Hong Kong Dollar	0.4425
United States Dollar	3.4580

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

The Group achieved revenue of RM24.9 million for the quarter ended 30 June 2007. This represents an increase of 16% compared to the corresponding quarter in the preceding year. Despite the increase in the revenue, profit before taxation of the Group registered a drop of 3% compared to the corresponding quarter in 2006 mainly due to increase in selling and distribution expenses by approximately RM501,000. The increase mainly due to higher freight and transportation costs were charged by the forwarded at the Hong Kong's subsidiary. As compared to the corresponding quarter, the selling and distribution expenses incurred for every RM1.00 of revenue has increased by as much as 80% in the Hong Kong subsidiary.

B2. Comment on Material Changes in the Profit Before Taxation for the Quarter Reported on as Compared With Immediate Preceding Quarter

The Group achieved revenue of approximately RM24.9 million for the current quarter under review as compared to RM21.5 million in the previous quarter, registering a increase of approximately 15.8%.

Profit before taxation of the Group for the current quarter under review decreased from RM2.2 million in the previous quarter to RM2.1 million for the current quarter.

B3. Current Year Prospects

The Board expects the performance for this year to be challenging, and some of the issues affecting the Group include fluctuation in major materials costs, as well as upward pressure on the operation costs. The Group has however taken steps to mitigate some of the risks, and these include the relocation of some of the production facilities to Vietnam to reduce its production costs. The Group is also exploring other opportunities to capitalise on its brands, including the introduction of new products and seeking new market segments.

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS (CONT'D)

B4. Variance of Actual Profit and Forecast Profit of the Group

The disclosure requirements for explanatory notes for the variance of actual profit and forecast profit and for the shortfall in profit guarantee are not applicable.

B5. Income Tax Expense

	Current Year Quarter 30.6.2007 RM'000 (Unaudited)	Preceding Year Corresponding Quarter 30.6.2006 RM'000 (Unaudited)	Cumulative Current Year to Date 30.6.2007 RM'000 (Unaudited)	Cumulative Preceding Year Corresponding Quarter 30.6.2006 RM'000 (Unaudited)
Current tax Expense	561	466	982	1,067

Tax expense for the financial quarter ended 30 June 2007 is derived based on management's best estimate of the tax rate for the year.

The Group's effective tax rate for the current quarter and current year to date approximates the statutory tax rate.

The Group's corresponding quarter and period ended 30 June 2006's effective tax rate lower than the statutory tax rate principally due to the reinvestment allowances available to offset against taxable income.

B6. Unquoted Investments and/or Properties

There were no purchases or disposal of unquoted investments and/or properties in the quarter ended 30 June 2007.

B7. Quoted and marketable investments

Total investments in quoted shares as at 30 June 2007:

	Cost RM'000	Book Value RM'000	Market Value RM'000
Total quoted shares	3	3	1

No investment or disposal of quoted and marketable investments were made during the current quarter under review.

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS (CONT'D)

B8. Status of Corporate Proposals

There were no corporate proposals announced during the financial quarter under review.

B9. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

	Short-Term (Secured) RM'000
Bank overdraft of HKD1,539,848	681
Bank overdraft	1,077
Bill payables	11,349
Trust receipts and bankers' acceptance of HKD13,492,086	5,963
Hire purchase payables	366
Total	<u>19,436</u>

There are no long-term borrowings at the end of the reporting quarter.

B10. Off balance sheet financial instrument

There are no financial instruments with off balance sheet risk as at the date of this report.

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS (CONT'D)

B11. Changes in material litigation

Neither UMSN nor any of its subsidiary companies are engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries and the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

B12. Dividends

The Board of Directors does not recommend any dividend for the period ended 30 June 2007.

B13. Basic earnings per share

The basic earnings per share for the current quarter and cumulative year to date are computed as follow:-

	Current Year Quarter 30.6.2007 (Unaudited)	Preceding Year Corresponding Quarter 30.6.2006 (Unaudited)	Cumulative Current Year to Date 30.6.2007 (Unaudited)	Preceding Year Corresponding Quarter 30.6.2006 (Unaudited)
Profit attributable to Equity holders of parent (RM'000)	<u>1,585</u>	<u>1,745</u>	<u>2,821</u>	<u>3,558</u>
Weighted average number of ordinary shares of RM0.50 each in issue	<u>80,000</u>	<u>77,599</u>	<u>80,000</u>	<u>72,571</u>
Basic Earnings Per Share based on the weighted average number of shares in issue (sen)	<u>1.98</u>	<u>2.25</u>	<u>3.52</u>	<u>4.90</u>

The Company has an ESOS scheme in place. At the end of the financial period, there are 500,000 options granted to employees pursuant to the ESOS scheme. Diluted earnings per share are not disclosed herein as the options granted are deemed anti-dilutive.

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS (CONT'D)

B14. Disclosure In Relation To Any Agreement, Arrangement, Joint Venture Or Collaboration For The Purpose Of Bidding For Or Securing A Project Or Contract

There were no agreements, arrangement, joint venture or collaboration for the purpose of bidding for or securing a project or contract entered by the Company during the financial period under review.

B15. Authorisation for issue

The second quarterly report was authorised for issued by the Board of Directors in accordance with the resolution of the directors on 30 August 2007.

By order of the Board
UMS-NEIKEN GROUP BERHAD
Mah Li Chen
Company Secretary (MAICSA 7022751)
Kuala Lumpur
30 August 2007