

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 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.

The following Financial Reporting Standards (“FRS”) have been issued and are effective for the financial period beginning on or after 1 October 2006 and will be effective for the Group’s financial statements for the financial period commencing 1 January 2007:-

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group anticipates that the adoption of FRS 124 will not have any material effects to the Group and relevant disclosures have been made in Note A15 on significant related party transactions. The Group has adopted FRS 117 in the previous financial year.

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.

Amendment to FRS 119₂₀₀₄ - Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures has been issued and is effective for financial periods beginning on or after 1 January 2007. The Group will apply this amendment to the Group’s financial statements for the financial year ended 31 December 2007.

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

A2. Changes in Accounting Policies (Cont’d)

The following FRSs have been issued and are effective for the financial period beginning on or after 1 July 2007 and will be effective for the Group’s financial statements for the financial period commencing 1 January 2008:-

FRS 117	Cash Flow Statements
FRS 112	Incomes Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to FRS 121	The Effects of Changes in Foreign Exchanges Rate <i>Net Investment in a Foreign Operation</i>

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not an MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group has applied this Framework from the financial year ended 31 December 2007 onwards.

The following IC Interpretations have been issued and are effective for financial periods beginning on or after 1 July 2007:-

IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environment Rehabilitation Fund
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above IC Interpretations are not applicable as they are not relevant to the Group.

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

There were no dividends paid during the financial period 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 31.12.2007 (Unaudited)		Preceding Year Corresponding Quarter Ended 31.12.2006 (Unaudited)	
	Revenue RM’000	(Unaudited) Profit Before Taxation RM’000	Revenue RM’000	(Unaudited) Profit Before Taxation RM’000
Malaysia	14,121	(368)	7,964	2,097
Hong Kong	14,996	145	13,461	352
Vietnam	-	(314)	111	(105)
Total for Group	<u>29,117</u>	<u>(537)</u>	<u>21,536</u>	<u>2,344</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 31 December 2007 and up to date of this report.

A12. Effect of Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

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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 of the Group as of the end of the financial period to date.

A14. Commitments

The Group has no capital commitment as at 31 December 2007.

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 31.12.2007 RM'000 (Unaudited)	Preceding Year Corresponding Quarter 31.12.2006 RM'000 (Unaudited)	Cumulative Current Year to Date 31.12.2007 RM'000 (Unaudited)	Cumulative Preceding Year Corresponding Quarter 31.12.2006 RM'000 (Unaudited)
Ming Kee Manufactory Limited (“MKK”)	Purchase of fuse link, screws, inserts, cable, plug, metalware, ect	612	912	2,761	2,927
MKK	Sales of power cordset; pvc compound, ect	38	2	149	76
High Project Electric Wire & Cable Manufactory (Fenghua) Limited (“HPC”)	Purchase of cable reel, power cordset, ect	8,115	7,401	31,668	28,325
HPC	Product testing fee	-	-	-	74
United MS Cables Mfg. Sdn. Bhd. (“UMSC”)	Purchase of electrical wire	348	62	1,230	205

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

A16. Cash and cash equivalents

	At 31.12.2007	At 31.12.2006
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Fixed deposits with licensed banks	1,070	3,274
Cash and bank balances	6,200	780
Bank overdraft	(2,233)	(2,366)
	<u>5,037</u>	<u>1,688</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 Neiken 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	0.4238
United States Dollar	3.3065

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

B1. Review of Performance

The Group achieved revenue of RM29.1 million for the quarter ended 31 December 2007. This represents an increase of approximately 35% compared to the corresponding quarter in the preceding year. Despite the increase in the revenue, the Group suffered a loss compared to a profit in the corresponding quarter in 2006. The loss was mainly due to the lower gross profit margin arising from higher material costs and unfavourable foreign exchange loss, higher loss suffered by the Vietnam subsidiary, higher overall operating costs as well as start up loss in a new Malaysian 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 RM29.1 million for the current quarter under review as compared to RM26.6 million in the preceding quarter, registering an increase of approximately 9%.

The Group suffered a loss compared to a profit in the preceding quarter, due to the reasons as explained in B1 above.

B3. Current Year Prospects

The Board expects the performance for 2008 to continue to be challenging due to upward pressure on costs of raw materials, freight, unfavourable foreign exchange and overall increase in operating overheads. The Group will continue to explore opportunities to enhance its margin and capitalise further on its brands.

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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 31.12.2007 RM'000 (Unaudited)	Preceding Year Corresponding Quarter 31.12.2006 RM'000 (Unaudited)	Cumulative Current Year to Date 31.12.2007 RM'000 (Unaudited)	Cumulative Preceding Year Corresponding Quarter 31.12.2006 RM'000 (Unaudited)
Current tax Expense	<u>(75)</u>	<u>657</u>	<u>1,087</u>	<u>2,171</u>

Tax expense for the financial quarter ended 31 December 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 year to date approximates the statutory tax rate.

B6. Unquoted Investments and/or Properties

There were no purchases or disposal of unquoted investments and/or properties in the quarter ended 31 December 2007.

B7. Quoted and marketable investments

There was no investment in quoted securities as at end of the quarter.

There was a disposal of quoted and marketable investments of RM3,000 for approximately RM1,000 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 USD53,827	178
Bank overdraft	2,055
Bill payables	12,487
Trust receipts and bankers' acceptance of HKD21,286,200	9,021
Trust receipts and bankers' acceptance of USD168,085	556
Hire purchase payables	213
Total	<u>24,510</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 31 December 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 31.12.2007 (Unaudited)	Preceding Year Corresponding Quarter 31.12.2006 (Unaudited)	Cumulative Current Year to Date 31.12.2007 (Unaudited)	Preceding Year Corresponding Quarter 31.12.2006 (Unaudited)
Profit attributable to Equity holders of parent (RM'000)	(462)	1,687	3,317	7,037
Weighted average number of ordinary shares of RM0.50 each in issue	80,000	80,000	80,000	76,264
Basic Earnings Per Share based on the weighted average number of shares in issue (sen)	(0.58)	2.11	4.15	9.23

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 fourth quarterly report was authorised for issued by the Board of Directors in accordance with the resolution of the directors.