

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPT 2008**

**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 2007. 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 2007.

**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 2007, except for the mandatory adoption of the following revised Financial Reporting Standards (“FRS”) effective for the financial period beginning on 1 January 2008 :-

FRS 107	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>

The adoption of the above-mentioned FRS does not have any significant financial impact to the Group.

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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 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 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The above IC Interpretations are not relevant to the Group’s operation except for IC Interpretation 8 which does not have any material impact to the Group upon its initial application.

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 2007 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**

A first and final gross dividend of 2.8% less 26% tax per ordinary share amounting to approximately RM829,000 in respect of the financial year ended 31 December 2007 was paid on 15 August 2008.

**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 30.09.2008 (Unaudited)		Preceding Year Corresponding Quarter Ended 30.09.2007 (Unaudited)	
	Revenue RM’000	(Unaudited) Profit Before Taxation RM’000	Revenue RM’000	(Unaudited) Profit Before Taxation RM’000
Malaysia	13,220	1,823	11,538	1,105
Hong Kong	14,474	(16)	15,015	330
Vietnam	803	131	4	(298)
	<u>28,497</u>	<u>1,938</u>	<u>26,557</u>	<u>1,137</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 September 2008 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 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 RM6,897,036.

**A15. Significant Related Party Transactions**

Details of the recurrent related party transactions (“RRPT”), which had been entered into in the ordinary course of business and have been established under terms that were mutually agreed between the parties, are as follows :-

Transaction parties	Nature of transaction	Current Year Quarter	Preceding Year Corresponding Quarter	Cumulative Current Year to Date	Cumulative Preceding Year Corresponding Quarter
		30.09.2008 RM'000 (Unaudited)	30.09.2007 RM'000 (Unaudited)	30.09.2008 RM'000 (Unaudited)	30.09.2007 RM'000 (Unaudited)
Ming Kee Manufactory Limited (“MKK”)	Purchase of fuse link, screws, inserts, cables, plug, metalware, etc	275	638	799	2,149
MKK	Sales of power cordset, pvc, compound, etc	74	15	110	111
MKK	Office rental	16	17	46	48
MKK	Business Consultancy fee	26	27	76	79
High Project Electric Wire & Cables Manufactory (Fenghua) Limited (“HPC”)	Purchase of cable reel, power cordset, ect	7,923	7,294	18,516	23,553
United MS Cables Mfg Sdn. Bhd. (“UMSC”)	Purchase of electrical wire	946	695	1,783	882

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

**A16. Cash and cash equivalents**

	<b>At 30.9.2008</b>	<b>At 30.9.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Fixed deposits with licensed banks	631	582
Cash and bank balances	3,356	2,390
Bank overdraft	(3,371)	(1,277)
	<u>616</u>	<u>1,695</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:-

	<b>RM</b>
Hong Kong Dollar	0.4452
United States Dollar	3.4575

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

**B1. Review of Performance**

The Group achieved revenue of RM28.5 million for the quarter ended 30 September 2008. This represents an increase of approximately 7% compared to the corresponding quarter in the preceding year. However, profit before taxation of the Group registered an increase of 70%, or RM0.8 million. The increase in the profit before taxation is mainly due to the favourable foreign exchange movement, the turnaround of the loss in the third quarter of 2007 to a profit in this current quarter in the operations of the Vietnam 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 RM28.5 million for the current quarter under review as compared to RM27.0 million in the immediate preceding quarter, registering an increase of approximately 6%.

Profit before taxation of the Group for the current quarter under review however decreased from RM2.39 million in the immediate preceding quarter to RM1.94 million for the current quarter. The decrease is mainly due to the higher allowance for doubtful debts incurred by the Hong Kong subsidiary.

**B3. Current Year Prospects**

The Board expects the performance for this year to continue to be challenging, due to volatility in material prices as well as softening of demand arising from the deterioration in the economic conditions. The Group has taken steps to mitigate the risks posed by the changes in market conditions, including alignment of capacity to the expected changes in the level of demand.

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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 30.09.2008 RM'000 (Unaudited)	Preceding Year Corresponding Quarter 30.09.2007 RM'000 (Unaudited)	Cumulative Current Year to Date 30.09.2008 RM'000 (Unaudited)	Cumulative Preceding Year Corresponding Quarter 30.09.2007 RM'000 (Unaudited)
Current tax Expense	487	179	1,249	1,162

Tax expense for the financial quarter ended 30 September 2008 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 to statutory tax rate.

**B6. Unquoted Investments and/or Properties**

There were no purchases or disposal of unquoted investments and/or properties in the current quarter under review and current financial year to date.

**B7. Quoted and marketable investments**

There was not investment or disposal of quoted and marketable securities during the current quarter under review and current financial year to date.



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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:

	<b>Short-Term (Secured) RM'000</b>
Bank overdraft of USD172,806	597
Bank overdraft of HKD1,221,474	544
Bank overdraft	2,230
Bill payables	17,025
Trust receipts and bankers' acceptance of HKD17,414,459	7,753
Trust receipts and bankers' acceptance of USD334,788	1,158
Hire purchase payables	190
Total	<u>29,497</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.

**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.

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

**B12. Dividends**

The Board does not recommend any interim dividend in respect of the financial year ending 31 December 2008 during this quarter.

**B13. Earnings per share (“EPS”)**

**(a) Basic EPS**

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

	Current Year Quarter 30.09.2008 (Unaudited)	Preceding Year Corresponding Quarter 30.09.2007 (Unaudited)	Cumulative Current Year to Date 30.09.2008 (Unaudited)	Preceding Year Corresponding Quarter 30.09.2007 (Unaudited)
Profit attributable to the equity holders of parent (RM'000)	1,451	958	3,748	3,779
Number of ordinary shares of RM0.50 each in issue	80,000	80,000	80,000	80,000
Basic Earnings Per Share based on the number of shares in issue (sen)	1.81	1.20	4.69	4.72

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

**(b) Diluted EPS**

For the purpose of calculating diluted EPS, the number of ordinary shares in issue during the period have been adjusted to assume the conversion of dilutive potential ordinary shares.

	<b>Current Year Quarter 30.09.2008 (Unaudited)</b>	<b>Preceding Year Corresponding Quarter 30.09.2007 (Unaudited)</b>	<b>Cumulative Current Year to Date 30.09.2008 (Unaudited)</b>	<b>Preceding Year Corresponding Quarter 30.09.2007 (Unaudited)</b>
Profit attributable to the equity holders of parent (RM'000)	1,451	958	3,748	3,779
Number of ordinary shares of RM0.50 each in issue	80,000	80,000	80,000	80,000
Effect on dilution: - Adjustment for assumed exercise of share option	455	345	455	345
Adjusted number of ordinary shares of RM0.50 each in issue	80,455	80,345	80,455	80,345
Diluted EPS based on the adjusted number of shares in issue (sen)	1.80	1.19	4.66	4.70

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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 third quarterly report was authorised for issued by the Board of Directors in accordance with the resolution of the directors on 27 November 2008.

By order of the Board  
**UMS-NEIKEN GROUP BERHAD**  
Mah Li Chen  
Company Secretary (MAICSA 7022751)  
Kuala Lumpur  
27 November 2008