

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

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 2008. 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 2008.

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 2008.

The Group has not adopted the following FRSs and IC Interpretations that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group:

- (i) FRS issued and effective for financial periods beginning on or after 1 July 2009:

FRS 8 Operating Segments

FRS 8 replaces FRS 114₂₀₀₄ Segment Reporting and requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard only impacts the form and content of disclosures presented in the financial statements of the Group. This FRS is expected to have no material impact on the financial statements of the Group upon its initial application.

- (ii) FRSs issued and effective for financial periods beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement

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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 Group considers financial guarantee contracts entered to be insurance arrangements and accounts for them under FRS 4. In this respect, the Group treats the guarantee contract as a contingent liability until such a time as it becomes probable that the Group will be required to make a payment under the guarantee. The adoption of FRS 4 is expected to have no material impact on the financial statements of the Group.

The possible impacts of FRS 7 and FRS 139 on the financial statements upon their initial applications are not disclosed by virtue of the exemptions given in these standards.

FRS 123 is not relevant to the Group’s operations.

- (iii) Amendments issued and effective for financial periods beginning on or after 1 January 2010:

Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Vesting Conditions and Cancellations

The above amendments are not relevant to the Group’s operations.

- (iv) IC Interpretations issued and effective for financial periods beginning on or after 1 January 2010:

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above IC Interpretations are not relevant to the Group’s operations except for IC Interpretation 10. IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation is expected to have no material impact on the financial statements of the Group upon its initial application.

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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 2008 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.

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PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 ("FRS 134") (CONT'D)

A8. Dividends Paid

A first and final gross dividend of 1.4 sen less 25% tax per ordinary share amounting to approximately RM840,000 in respect of the financial year ended 31 December 2008 was paid on 30 June 2009.

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.

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 30.06.2009 (Unaudited)		Preceding Year Corresponding Quarter Ended 30.06.2008 (Unaudited)	
	Revenue RM'000	(Unaudited) Profit Before Taxation RM'000	Revenue RM'000	(Unaudited) Profit Before Taxation RM'000
Malaysia	11,041	1,705	15,559	2,151
Hong Kong	4,350	137	11,167	311
Vietnam	-	(180)	272	(76)
	<u>15,391</u>	<u>1,662</u>	<u>26,998</u>	<u>2,386</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 2009 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 PURSUANT 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 nil.

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
		30.06.2009 RM'000 (Unaudited)	30.06.2008 RM'000 (Unaudited)	30.06.2009 RM'000 (Unaudited)	30.06.2008 RM'000 (Unaudited)
Ming Kee Manufactory Limited (“MKK”)	Purchase of fuse link, screws, inserts, cables, plug, metalware, etc	325	150	548	524
MKK	Sales of power cordset, pvc, compound, etc	15	29	71	36
MKK	Office rental	17	15	34	30
MKK	Business Consultancy fee	27	25	55	50
High Project Electric Wire & Cables Manufactory (Fenghua) Limited (“HPC”)	Purchase of cable reel, power cordset, ect	582	5,399	1,734	10,593
United MS Cables Mfg Sdn. Bhd. (“UMSC”)	Purchase of electrical wire	179	264	369	837

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A16. Cash and cash equivalents

	At 30.6.2009	At 30.6.2008
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Fixed deposits with licensed banks	1,328	627
Cash and bank balances	2,946	2,415
Bank overdraft	(1,033)	(2,255)
	<u>3,241</u>	<u>787</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	0.4545
United States Dollar	3.5225

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

B1. Review of Performance

The Group achieved revenue of RM15.4 million for the quarter ended 30 June 2009. This represents a decrease of approximately 43% compared to the corresponding quarter in the preceding year. The drop in revenue is mainly due to the drop in demand as a result of the global economic crisis, as well as the cessation of the cable reel business by Hong Kong subsidiary. Profit before taxation of the Group registered a decrease of 30% compared to the corresponding quarter in 2008 in line with the drop in revenue which affected profit and margin.

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 RM15.4 million for the current quarter under review as compared to RM13.1 million in the previous quarter, registering an increase of approximately 18%.

Profit before taxation of the Group for the current quarter under review improved from profit before taxation of RM0.264 million in the previous quarter to RM1.662 million for the current quarter.

B3. Current Year Prospects

The Board expects the performance for this year to remain challenging, due to continuing slow global economic recovery. The Group will continue to mitigate the risk by aligning the capacity to the level of demand as well as explore more opportunities to enhance its profit margin and market share.

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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 30.06.2009 RM'000 (Unaudited)	Preceding Year Corresponding Quarter 30.06.2008 RM'000 (Unaudited)	Cumulative Current Year to Date 30.06.2009 RM'000 (Unaudited)	Cumulative Preceding Year Corresponding Quarter 30.06.2008 RM'000 (Unaudited)
Current tax Expense	<u>336</u>	<u>626</u>	<u>320</u>	<u>763</u>

Tax expense for the financial quarter ended 30 June 2009 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 lower than last corresponding quarter statutory tax rate prevailing is mainly due to the higher reinvestment allowance claims incurred by Malaysia manufacturing subsidiary.

B6. Unquoted Investments and/or Properties

There were no purchases or disposal of unquoted investments and/or properties in the quarter ended 30 June 2009.

B7. Quoted and marketable investments

There was not investment or disposal of quoted and marketable securities 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	1,033
Bill payables	6,302
Hire purchase payables	111
Total	<u>7,446</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 2009 during this quarter.

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 30.06.2009 (Unaudited)	Preceding Year Corresponding Quarter 30.06.2008 (Unaudited)	Cumulative Current Year to Date 30.06.2009 (Unaudited)	Preceding Year Corresponding Quarter 30.06.2008 (Unaudited)
Profit attributable to Equity holders of parent (RM'000)	<u>1,326</u>	<u>1,760</u>	<u>1,606</u>	<u>2,297</u>
Weighted average number of ordinary shares of RM0.50 each in issue	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
Basic Earnings Per Share based on the weighted average number of shares in issue (sen)	<u>1.66</u>	<u>2.20</u>	<u>2.01</u>	<u>2.87</u>

The Company has an ESOS scheme in place. At the end of the financial period, there are 455,000 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 25 August 2009.