MOVING FORWARD

UMS HOLDINGS LIMITED

annual report

06

CORPORATE PROFILE

The UMS Group engages in critical manufacturing of high precision components, and complex electromechanical assembly and final testing, serving the semiconductor equipment manufacturers, aerospace and oil field precision component manufacturers and other industries.

The Group was created in 2004 via the merger between Norelco Centreline and UMS Semiconductor. Norelco Centreline itself was listed on the SGX Sesdaq on May 25, 2001, and the Group has since been upgraded to the SGX Mainboard in 2003.

Headquartered in Singapore, the Group has production facilities in Singapore, Malaysia and China as well as offices in Fremont and Austin, USA. The Group has performed well for FY2006 as we benefited from the uptrend in the semiconductor industry and the continued outsourcing from US customers.

This can be seen in UMS Group growth and continued profitability which highlights the significant potential of its businesses going forward. It has also launched into the aerospace and oil and gas sectors to capture the higher value added manufactured components capitalizing on its core competencies in precision machining. Backed by an experienced management team, the Group has attracted reputable fund management firms such as Arisaig and Barings to take substantial stakes in the company.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

FY2006 was a significant year of growth and expansion for UMS Holdings. For one, increasing outsourcing activities from our US-based semiconductor equipment customers helped contribute significantly to our financial performance for the year. In addition, our focus on higher value added activities as well as our prudent approach to the costing management across our operational processes helped us record solid business growth in 2006.

Group revenue for last year rose 9% from S$153.0 million in FY2005 to S$167.5 million this year. More significantly, we recorded a 117% growth in profit after tax to S$24.1 million, as compared to the S$11.1 million for the preceding year. This performance came about from the improved margins we enjoyed as a result of the increase in semiconductor sales from US, as well as a one-off gain on disposal of our recycling business.

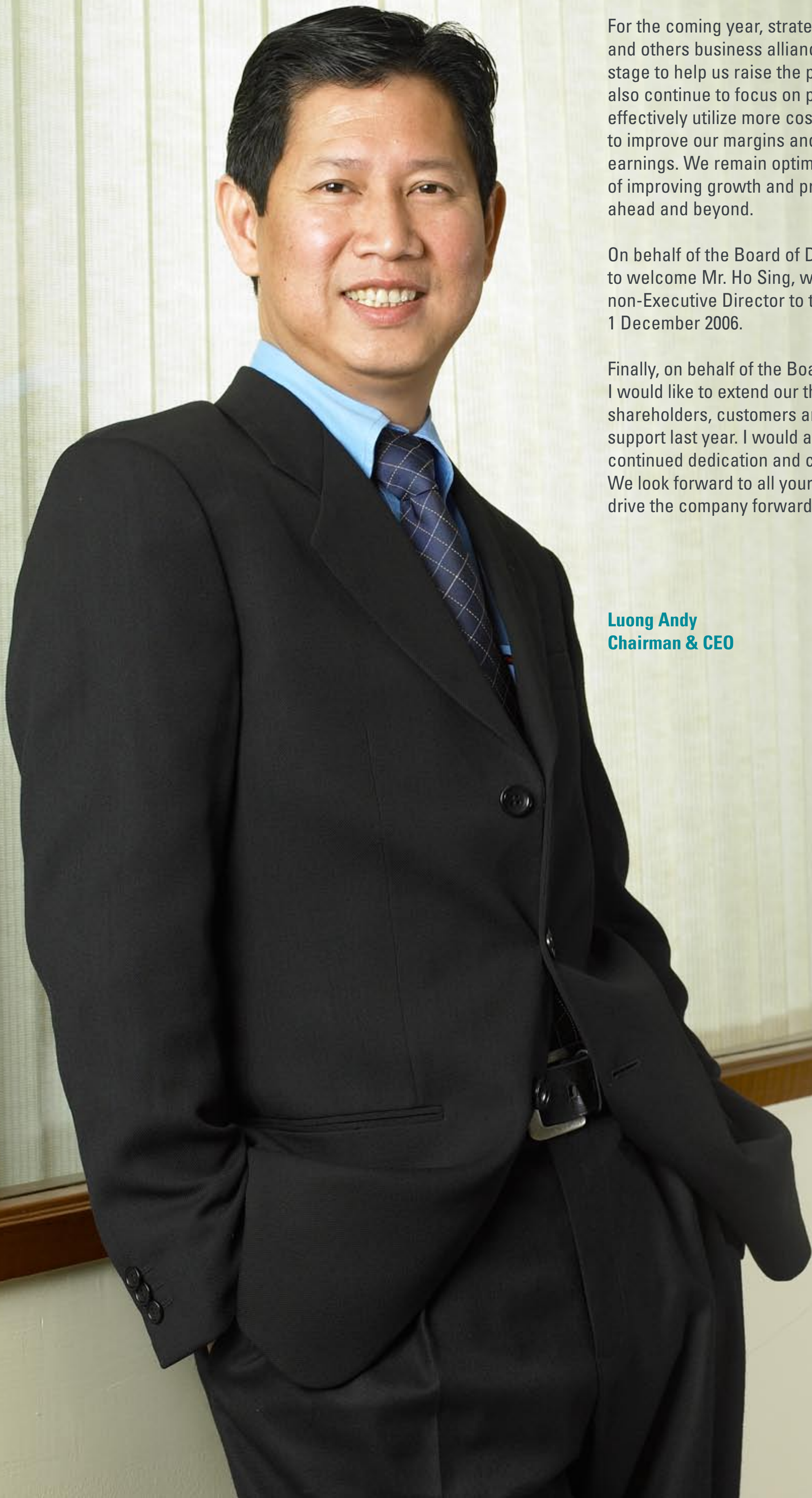
Our earnings per share continued to rise in tandem with our performance. On a weighted average basis, EPS rose from 2.88 cents in FY 2005 to 6.27 cents this year. Concurrently, our net asset value backing per ordinary share also rose as at 31 December 2006 to 53.37 cents, up from the 48.23 cents for the previous year in review. We generated a net cash position that grew 116% to S$37.2 million for the year. In addition, we also improved our working capital ratio by close to 17%, from 2.77 times in FY2005 to 3.23 times for 2006. Overall, return on equity for the Group more than doubled to 12%, a direct result of the increased focus on our core competencies.

To reward our shareholders for our fine performance this year, the Board of Directors has proposed to pay out a special dividend of 1.00 cent per ordinary share in addition to a final dividend of 1.35 cents per ordinary share (less tax). The proposal will be subject to approval at the Company's AGM and will be paid out at a later date.

Segmentally, we saw a decrease in our revenues for our CEM division as a result of increased competition and pricing pressures in the HDD industry. However, this was offset by improved returns from our semiconductor division, with the Group directly benefiting from the continued growth in outsourcing from equipment manufacturers especially in the USA. We have also enlarged our business model and scope for our semiconductor business to include systems integration. This will enable us to provide customers with complete solutions out of Singapore, that will help them improve their business efficiencies, costs and also time to the end market.

Estimates indicate that the worldwide semiconductor equipment industry will continue to register double digit growth over the next five years. This bodes well for us in this division going forward. To help us address this demand, on top of our new 80,000 sq ft Aerospace factory, we also begin constructing a new plant in Penang, Malaysia. Expected to be completed by 2008, the new facility will enhance our machining processes and is expected to triple our production capacity to meet demand, thus entrenching our position as the ideal outsourcing partner for our customers.

In adopting new strategies for growth ahead, we have identified four main sectoral drivers that will set the tone for our business direction in the coming years, namely, our current Semiconductor and CEM segments and new segments comprising Aerospace and Oil & Gas. We are already in the process of building a dedicated aerospace facility to manufacture high precision aircraft parts by 2008. As for our foray into the Oil & Gas sector, it has already enabled us to secure orders for the next 2-3 years. We look forward to these drivers contributing significantly to our growth in the years ahead.



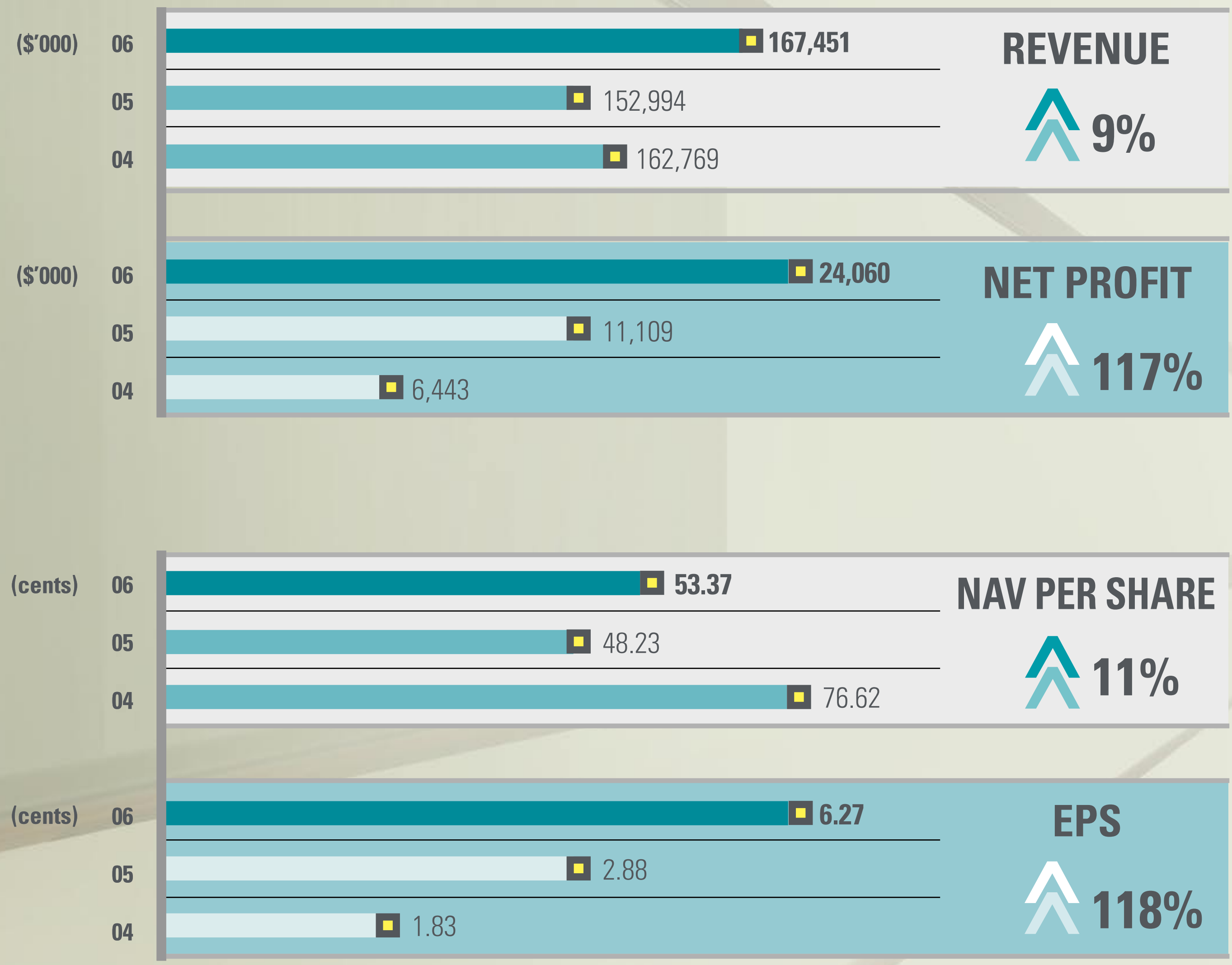
For the coming year, strategic partnerships with customers and others business alliances will continue to take centre stage to help us raise the profile of UMS Holdings. We will also continue to focus on providing higher value solutions and effectively utilize more cost effective manufacturing solutions to improve our margins and subsequently, enhance Group earnings. We remain optimistic that we can fulfil our vision of improving growth and profitability for the Group in the year ahead and beyond.

On behalf of the Board of Directors, the company would like to welcome Mr. Ho Sing, who will replace Mr. Salata as non-Executive Director to the Board with effect from 1 December 2006.

Finally, on behalf of the Board and staff of UMS Holdings, I would like to extend our thanks and appreciation to our shareholders, customers and business associates for their support last year. I would also like to thank our staff for their continued dedication and commitment towards the Group. We look forward to all your continued support as we strive to drive the company forward in 2007.

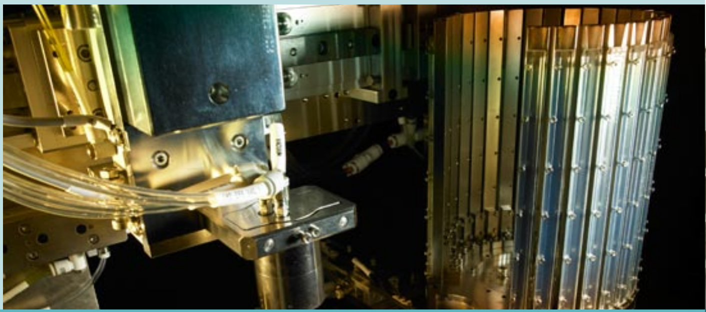
Luong Andy
Chairman & CEO

FINANCIAL HIGHLIGHTS



OPERATIONS REVIEW

UMS Holdings has significant growth for the fiscal year 2006 on the back of strong demand for its semiconductor equipment. Group revenue rose 9% to S$167.5 million, while net profit after tax more than doubled to S$24.1 million for the year as a result of better margins, lower material costs, and a one off S$13.9 million disposal gain from the Group's recycling business and other assets.



From an operational perspective, the Group trade receivables increased by 7% in line with its increased revenue for the year. Concurrently, better warehousing and inventory controls and a write-off of obsolete stock helped the Group reduce inventory levels by 27% for better cost efficiencies. The Group also reduced its long term borrowings by 72% as it paid off the majority of its loans.

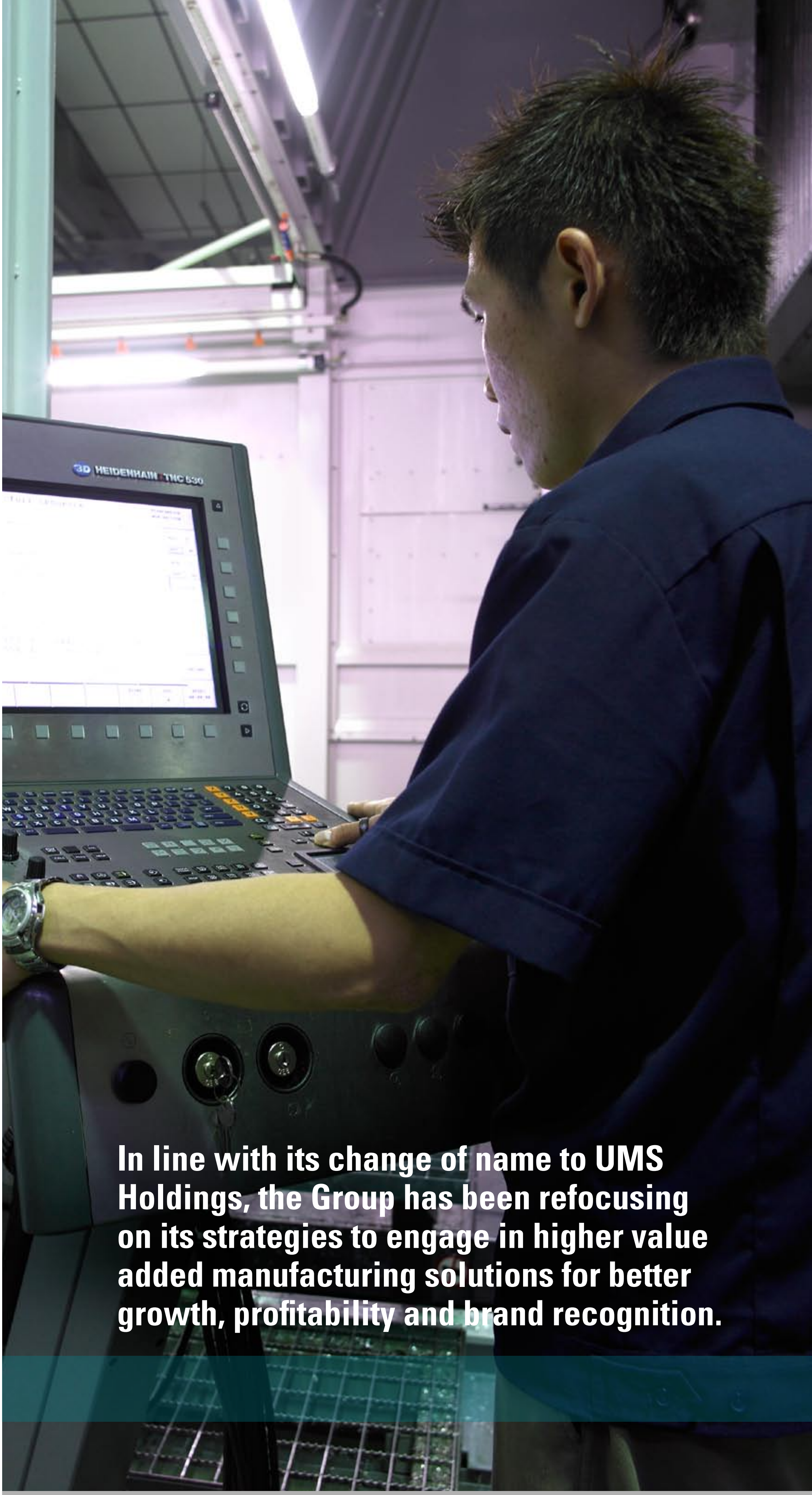
The semiconductor division turned in revenue of S$134.2 million, rising 78% over revenue in the preceding year, this commanding performance was the result of the increased outsourcing, especially from the USA.

With this outsourcing trend, especially to Asia, expected to continue its growth over the next few years, the Group began construction of a 480,000 sq ft manufacturing facility in Penang, which will triple the Group's manufacturing capacity and keep it well poised to capture this demand going forward. Phase 1 of the construction comprising 280,000 sq ft of space is expected to complete by the third quarter of FY2008, while the second phase comprising the remaining 200,000 sq ft is targeted for completion by the first quarter of FY 2009. When fully completed, the plant will be staffed by close to 1000 employees and will form an integral part of the Group's manufacturing processes

The Group has also enhanced its scope of semiconductor equipment manufacturing solutions to include systems integration for its major customers. Essentially, the Group will provide a Singapore integration facility that will encompass full supplier integration and final testing to ensure added value creation for customers. In addition to providing them with cost efficiencies and faster time to end market, the Group will also be able to build better competencies to keep it on the leading edge of semiconductor equipment outsourcing solutions.

The CEM division posted revenue of S$33.2 million, a decrease of 57% over its revenue for FY2005. This was largely due to the highly competitive market condition and stronger pricing pressures within the HDD industry. However, the Group is working to enhance its revenue and profitability within this business area. To date, it is already engaging new customers for factory automation and has implemented various new marketing efforts to secure customers in sectors such as medical device manufacturing. The Group has also engaged professional expertise to help it turn around this business, and it is confident that it will be able to see better returns for this business in the year ahead.

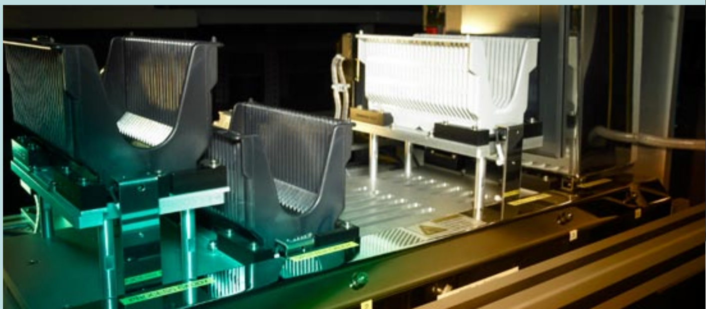
OPERATIONS REVIEW



In line with its change of name to UMS Holdings, the Group has been refocusing on its strategies to engage in higher value added manufacturing solutions for better growth, profitability and brand recognition.

In order to diversify its business scope and reduce its reliance on the Semiconductor and CEM sectors, the Group enlarged its target customer base and leveraged its competencies to the Aerospace and the Oil & Gas sectors.

The Group began construction of a 80,000 sq ft factory for the 2 new segments, this facility will help the Group attain the necessary product and factory qualifications, with full-scale part manufacturing expected to begin in 2008. It is currently in discussions to the major commercial aircraft clients. Concurrently, The Group has also secured orders from customers in the oil and gas sector to supply high precision components to support exploration activities and the Group is working to secure more longer-term contracts which will enhance its business scope further.



In line with its change of name to UMS Holdings, the Group has been refocusing on its strategies to engage in higher value added manufacturing solutions for better growth, profitability and brand recognition. Internally, it has put in place a comprehensive supply chain management system (SAP) to help it streamline with its suppliers and partners. Its adherence to quality management systems such as Six Sigma Manufacturing and Total Quality Management, as well as its attention to enhancing the quality of materials, assembly and integration processes has also enabled the Group to capitalize and benefit from larger projects and higher margins in its competitive fields.

BOARD OF DIRECTORS

Mr Luong presides as Chairman of the Board of UMS. He is also concurrently Chief Executive Officer and prior to this, Chief Operating Officer of the company.

With more than 20 years of experience in front-end semiconductor components manufacturing, beginning with experience working in his family's machining business in Vietnam, Mr Luong emigrated to the United States of America in 1979 and shortly after completing college, started a precision machining business called Long's Manufacturing Inc. Subsequently, he came to Singapore and founded UMS in 1996.

Luong Andy
Chairman / Chief Executive Officer

Mr Lim How Teck is an Independent Director of the company. In this capacity, he is also Chairman of the Nominating and Audit Committees and a member of the Remuneration Committee.

Mr Lim is currently Executive Chairman of Redwood International, an investment and consultancy company. He has extensive qualifications and experience in business finance and accounting including a Bachelor of Accountancy from the National University of Singapore, as well as fellowships in several accounting bodies such as the Chartered Institute of Management Accountants of UK, Certified Public Accountants of Australia and the Institute of Certified Public Accountants of Singapore. Mr Lim also completed the Corporate Financial Management Course and Advanced Management Programme from the Harvard Graduate School of Business in 1983 and 1989 respectively.

Lim How Teck
Independent Director

Mr Tan Tor Howe is a non-Executive Director of the company and a member of the Audit, Nominating and Remuneration Committees.

Previously Chief Financial Officer with Hi-P International Limited, he has also held senior financial portfolios in Solectron Technology Singapore, Natsteel Electronics and Uraco Holdings Limited. An alumnus of the National University of Singapore, he graduated in 1989 with a Bachelor of Accountancy (Honours) and is both a Certified Public Accountant, as well as a Chartered Financial Analyst charter holder.

Tan Tor Howe
Non-Executive Director

Mr Tan Beng Hai is an Independent Director of the company. He is the Chairman of the Remuneration Committee and also sits on the Audit and Nominating Committees.

A Fellow of the Institute of Chartered Accountants in England and Wales, Mr. Tan was until 2005, the Managing Director of Novar International and prior to that, was for 10 years the Managing Director of Caradon Asia. He is currently Chairman of Jurong Engineering Ltd and also sits on the Board of Power Seraya. He is also engaged in various other appointments including positions in various government and private organizations.

Tan Beng Hai
Independent Director

Mr Ho is a non-Executive Director of the company.

Graduating from the University of Texas with a Bachelor of Science in Aerospace Engineering, Mr Ho is currently Senior Vice President, Strategic Relations at SembCorp Industries. Prior to this appointment, he served in management positions in Singapore in MAE Engineering as President, and Cradance Services as Chief Operating Officer, as well as Dornier MedTech GmbH in Germany as CEO. He has also held stints in various companies including Chartered Ammunition Industries, Singapore Aerospace Manufacturing and Apple Computer in the USA. Currently a member of the American Institute of Aeronautics and Astronautics, Singapore Chapter and the Society of Automotive Engineers, Mr Ho also sits on the Board of Sing-Tech Precision (Suzhou).

Ho Sing
Independent Director

MANAGEMENT TEAM

Mr Luong Andy was appointed as the Chief Executive Officer of the Company in January 2005. Mr Luong previously served as the chief operating officer of the Company since April 2004. Mr Luong was the President and Founder of UMS. He currently holds 104,028,707 ordinary shares in UMS Holdings Limited.

Mr Luong has 20 years of experience in manufacturing front-end semicon components. He acquired his machining skills through his experience working in his family's machining business in Vietnam. He emigrated to the USA from Vietnam in 1979 and shortly after college, started a precision machining business called Long's Manufacturing, Inc.

Luong Andy
Chairman / Chief Executive Officer

Mr Goh Kah Ling is the Vice-President of Operations for UMS Semiconductor Pte Ltd. He is responsible for the operation of the semicon business unit.

Mr Goh has vast experience in mass production to small craftsman workshops and the management of factories and companies engaged in electronics, mechanical, service, fashion and construction. He holds a Diploma in Electronics.

Goh Kah Ling
Vice-President of Operations of UMS Semiconductor Pte Ltd

Mr Cheng Swee Ain is the Financial Controller of UMS Holdings Limited. He undertakes the overall responsibility of managing financial, tax, treasury, corporate finance and compliance matters of the UMS Group.

Mr Cheng has over 14 years of extensive experience in the finance and accounting fields in the service of companies in the Electronics Manufacturing Services and manufacturing industries. He is a Certified Public Accountant with the Australian Society of CPAs, and holds notable qualifications of Bachelor of Economics, Post Graduate Diploma in Accounting and Masters in Business Administration.

Cheng Swee Ain
Financial Controller

Ms Sylvia Luong is Vice President of Sales & Marketing for the Company and is responsible for managing the Group's marketing and business development efforts. Ms Luong has 20 years of experience in marketing and engineering. She began her career with Avantek, Inc. as an engineering assistant. She then joined Long's Manufacturing, Inc in 1989 where she successfully developed key relationships with customers such as AMAT, Lam Research and IBM in the US. Ms Luong is Andy Luong's wife.

Sylvia SY Lee Luong
Vice President, Sales & Marketing

Mr Lok Horng Gee is the Director of UMS Corporate Quality Division. He oversees the overall operations of Corporate Quality System as well as all matters of Quality including Supplier Quality Management.

Prior to joining UMS Group, Mr Lok was the Senior Director in the Quality and Reliability Engineering Division and subsequently he was responsible of managing the overall Desktop Business Unit at Maxtor Peripherals Singapore. He graduated from Curtin University of Technology, Perth, Western Australia with a Bachelor Degree in Electronic Engineering.

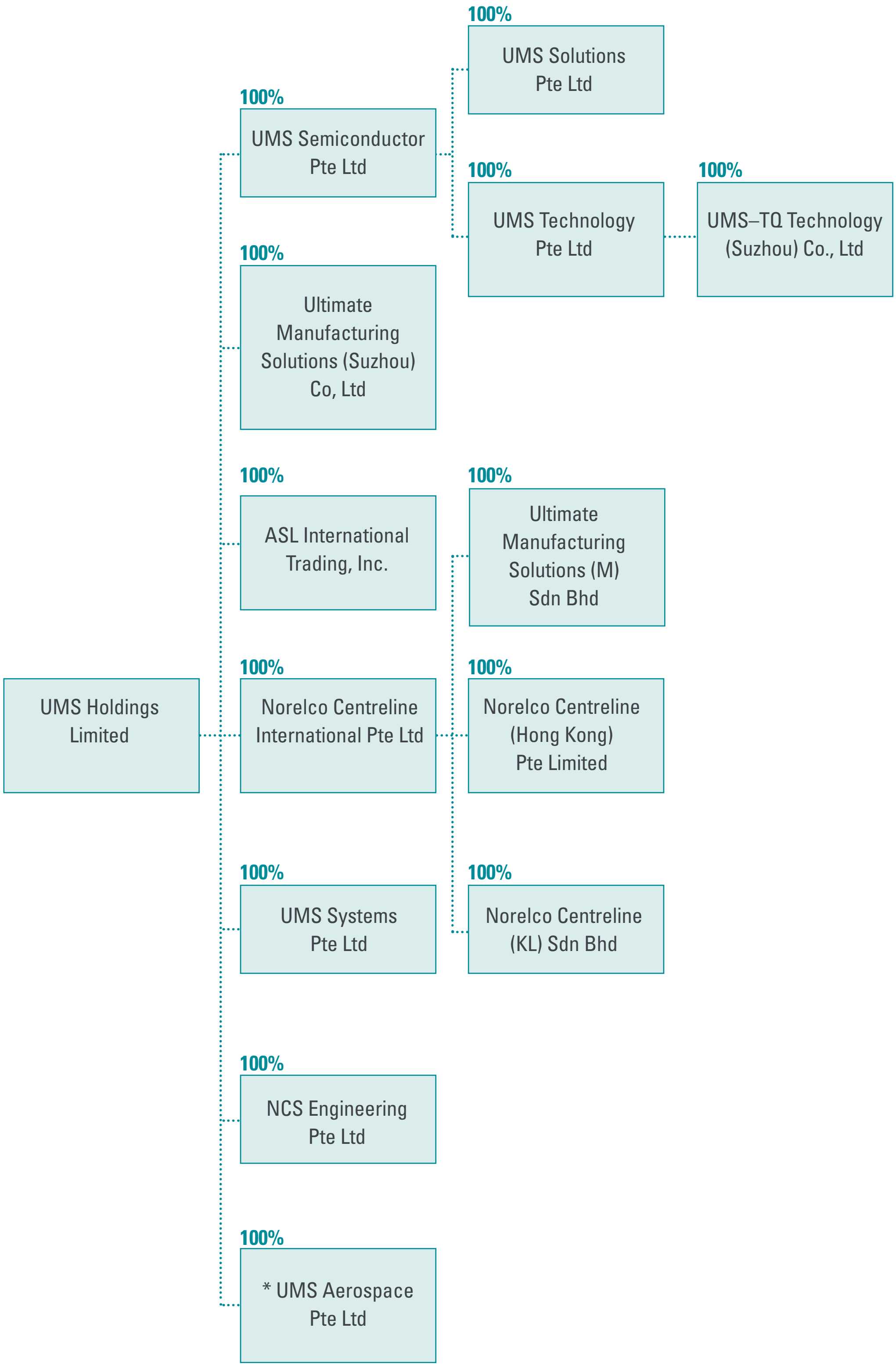
Lok Horng Gee
Director of UMS Corporate Quality

Mr Chee is the Vice-President of UMS Systems Division and he is in charge of the overall performance of UMS Systems.

Mr Chee has held several senior management positions in multinational corporations, mainly in Purchasing, Quality, Supplier Engineering, Supply – chain management, Operational HQ offices and contract manufacturing operations. He has over 20 years experience in various industries such as computers, disk drives, automotive and consumer electronics. Mr Chee is a graduate with a Bachelor Degree in Management and MBA & Masters of Quality Management.

Richard Chee
Vice-President of UMS Systems Pte Ltd

GROUP STRUCTURE



* Incorporated on 30 Aug 2006

MILESTONES

2007	Entered into an exclusive contract with a major oil & gas company.
2007	Jan, UMS Aerospace obtained AS9100:2004 certification.
2006	Dec, Ground Breaking of a new 87,000ft^2 aerospace facility.
2006	Aug, Incorporated UMS Aerospace. Announcement of US$20 million investment on new facility & equipment in aerospace industry.
2004	Merger with Norelco-Centerline to become Norelco-UMS Group.
1996	Started UMS in Singapore.
1990	Started Long's Manufacturing Inc. in US.

CORPORATE INFORMATION

Registered Office

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Auditors

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Certified Public Accountants
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#08-01 Marsh & Mclennan Centre
Singapore 048423

Share Registrar

Lim Associates (Pte) Ltd
3 Church Street
#08-01
Samsung Hub
Singapore 049483

Principal Bankers

Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank
Citibank, N.A.
United Overseas Bank Limited
Malayan Banking Berhad
The Development Bank of Singapore Ltd

Company Secretaries

Ms Low Mei Mei, Maureen
(ACIS, LLB Hons)

CORPORATE OFFICES

SINGAPORE

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NCS Engineering Pte Ltd
Norelco Centreline International Pte Ltd
UMS Aerospace Pte Ltd

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Website: http://www.umsgroup.com.sg

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UMS Solutions Pte Ltd
UMS Technology Pte Ltd

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REPORT ON CORPORATE GOVERNANCE

The Board and Management of UMS Holdings Limited (the "Company") is committed to achieving high standards of corporate governance for the sustainability and stability of the Group's performance.

This report describes the Company's corporate governance policies and processes with reference to the Code. The Board is pleased to confirm that for the financial year ended 31 December 2006, the Company has generally adhered to the principles and guidelines of the Code and any deviations will be specified in this report.

THE BOARD'S CONDUCT OF ITS AFFAIRS – PRINCIPLE 1

The Board comprises five Directors at the end of the year 2006, of whom three are Independent Directors. Brief biographical details of each Director are set out below. The Board provides entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives. It also establishes a framework of prudent and effective controls which enable risks to be assessed and managed. In addition, it reviews management performance; set the company's values and standards, and ensure that obligations to shareholders and others are understood and met.

The key responsibilities of the Board include;

- Approving business direction and strategies;
- Monitoring management performance;
- Ensuring the adequacy, efficiency and effectiveness of internal controls, risk management procedures, financial reporting and compliance;
- Approving annual budget, major funding, investment and divestment proposals; and
- Ensuring good corporate governance.

The Company has, in place, a set of internal guidelines setting forth matters that require Board's approval. Matters that specifically require Board's approval are those involving:

- Release of all results announcements and any other announcements;
- Group's annual budget;
- Appointment of directors and key personnel;
- Group's corporate and strategic directions, key operational initiatives;
- Major funding and investment proposals;
- Merger and acquisition transactions;
- Declaration of interim dividend and proposal of final dividends;
- Interested party transactions;
- Matters involving conflict of interests for a substantial shareholder or director; and
- All other matters of material importance.

Guideline 1.3 – Delegation of authority by the Board

To ensure smooth and effective running of the Group and to facilitate decision making, the Board has delegated some of its powers and functions to various committees, such as the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), which are headed by Independent Directors. These Committees operate within their own written terms of reference.

Guideline 1.4 – Attendance at Board and Committee meetings

The Board meets regularly at least four times a year. Ad-hoc Board meetings are also convened as and when deemed necessary by the Board to address any specific significant matters that may arise. At meetings of the Board, the Directors are free to discuss and openly challenge the views presented by management and other Directors. The decision making process is an objective one. In lieu of physical meetings, written resolutions were also circulated for approval by members of the Board.

During the year, the Board met six times. The Company's Articles of Association provide for the meetings of the Boards by means of conference telephone or similar communications equipment. The number of Board meetings held and the attendance of each board member at the meetings for the year ended 31 December 2006 are disclosed below:

Name of Director	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No Held	No Attended	No Held	No Attended	No Held	No Attended	No Held	No Attended
Mr Luong Andy +	6	6	N.A	N.A	N.A	N.A	N.A	N.A
Mr Lim Ho Seng # * (Resigned on 31 Mar 06)	6	3	5	1	2	1	4	1
Mr Chan Pee Teck, Peter # * (Resign on 31 Mar 06)	6	2	5	1	2	1	4	1
Mr Jean Eric Salata # (Resigned on 1 Dec 06)	6	3	N.A	N.A	N.A	N.A	N.A	N.A
Mr Lim How Teck # * (Appointed on 15 Jan 2006)	6	5	5	5	2	2	4	4
Mr Lee Kim Bock # * (Resigned on 15 Jan 06)	6	1	N.A	N.A	N.A	N.A	N.A	N.A
Mr Wong Kok Hoe # * (Resigned on 15 Jan 06)	6	1	N.A	N.A	N.A	N.A	N.A	N.A
Mr Tan Tor Howe # (Appointed on 15 Jan 06)	6	5	5	5	2	2	4	4
Mr Tan Beng Hai # * (Appointed on 22 Mar 2006)	6	4	5	4	2	1	4	3

+ Executive Director
# Non Executive Director
* Independent Director

Mr Ho Sing was appointed an Independent Director of the Company on 1 December 2006. He was appointed as a member of the Audit Committee on 21 March 2007.

To enhance the effectiveness of Board, all Board members are kept informed of all the relevant new laws and regulations. Whenever a new Director is appointed on the Board, orientation and training programmes are conducted to help them familiarize with the business and organization structure as well as the governance practices of the Group. They are also given ample opportunities to visit the Group's operational facilities and from time to time, the key management team will update them on the development of the Group. On going and continuous training programmes include participation at seminars and talks delivered by Professionals on relevant subject fields for example, corporate governance, board evaluation and amendments to Companies Act.

BOARD COMPOSITION AND BALANCE – PRINCIPLE 2

Guideline 2.2 – Independence of Directors

As at 31 December 2006, the Board comprises five directors. The Chief Executive Officer ('CEO") is the only Executive Director whilst the remaining four Directors are Non Executive Directors of the Company. On 16 January 2006, Mr. Luong Andy was appointed as Chairman of the Company. The independence of each Director is reviewed annually by the Nominating Committee based on the Code's definition of independence. The Board has also satisfied the Code whereby at least one-third of the Board should be independent.

The Board comprises Directors who, as a group, provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategies planning experience and customers-based experience or knowledge, which provide valuable insights to the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER – PRINCIPLE 3

Guideline 3.1 – Relationship between Chairman and Chief Executive Officer

The Code states that the roles of Chairman and the CEO should be separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between Chairman and CEO should be clearly established, set out in writing and agreed by the Board.

As a CEO, Mr. Luong Andy has the executive responsibility of steering the Company towards its strategic direction.

As a Chairman, Mr. Luong Andy's responsibilities, among others, include the following:
- Lead the Board to ensure its effectiveness to all aspects of its role and set its agenda;
- Ensure that the directors are receive accurate, timely and clear information;
- Ensure effective communication with shareholders;
- Encourage constructive relations between the Board and Management;
- Facilitate the effective contribution of Non-Executive Directors in particulars;
- Encourage constructive relations between the Non-Executive Directors and Executive Directors;
- Promote high standards of corporate governance.

As stated under the Code, companies may appoint an Independent Non-Executive Director as a lead independent director where the Chairman and CEO is the same person. Accordingly, Mr. Lim How Teck was appointed as a Lead Independent Director on 1 December 2006.

The Board is of the view that, given the scope and nature of the operations of the Group and the strong element of independence of the Board, it is not necessary to separate the functions of the Chairman and CEO. However, the Board will review this position as necessary so as to adopt the principle under the Code.

BOARD MEMBERSHIP – PRINCIPAL 4

Guideline 4.1 – Composition of Nominating Committee

The appointment of new directors to the Board is recommended by the Nominating Committee ("NC"). The NC comprises three Non-Executive Directors, namely Mr. Lim How Teck, Mr. Tan Tor Howe and Mr. Tan Beng Hai. On 15 January 2006, Mr. Lim How Teck was appointed as Chairman of NC to replace Mr. Wong Kok Hoe who resigned as Chairman of NC. The members of the NC and roles of the NC are as follows:

Name	Role in NC		Role In Board
Mr Lim How Teck	Chairman	(Appointed on 15 Jan 2006)	Independent and Non-Executive Director
Mr Tan Tor Howe	Member	(Appointed on 15 Jan 2006)	Non-Executive Director
Mr Wong Kok Hoe	Chairman	(Resigned on 15 Jan 2006)	Independent and Non-Executive Director
Mr Lim Ho Seng	Member	(Resigned on 31 Mar 2006)	Independent and Non-Executive Director
Mr Chan Pee Teck, Peter	Member	(Resigned on 31 Mar 2006)	Independent and Non-Executive Director
Mr Tan Beng Hai	Member	(Appointed on 31 Mar 2006)	Independent and Non-Executive Director

The Chairman of the NC is not directly associated with any substantial shareholder of the Company. The NC works within the written terms of reference, which describes the responsibilities of its members. The principal functions of the NC include the following:

- Make recommendations to the Board on all board appointments, retirements and re-nomination having regards to the director's contribution and performance;
- Review and determine the independence of each director and ensure that the Board comprises at least one-third independent directors;
- Review and decide if a director is able to and has been adequately carrying out his/her duties as a director of the Company, when he/she has multiple board representations. The NC is of the opinion that all the directors who serve on multiple boards have allocated sufficient time and attention to the Company and have carried out their duties as directors of the Company;
- Determine how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole .

Guideline 4.5 – Selection and appointment of new Director

In identifying for appointment of new Directors, the NC applies the following main principles:-

- The Board shall have a majority of Directors who are not the substantial shareholders of the Company and are independent of the substantial shareholders of the Company;
- The Board has a majority of the Directors who are not the executive officers of the Company and are independent of the executive officers of the Company;
- The NC must be satisfied that each candidate is fit and proper for the position or office and is the best or most qualified candidate nominated for position or office taking into account of the candidate's track record, age, experience, capabilities, and other relevant factors.

The NC considers the recommendations and personal contact of the Board members as well as search companies for selecting and appointing new Directors to the Board.

BOARD PERFORMANCE – PRINCIPLE 5

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual directors. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, the Board processes and accountability. Review of the Board's performance, as appropriate, is undertaken collectively by the Board annually and informally on a continual basis.

The NC is responsible for the following functions:-

- To review and determine the independence of each director;
- To make recommendation to the Board on all nominations for appointment and re-appointment of directors;
- To implement a process for assessing the effectiveness of the Board as a whole and the contribution by each director;
- To evaluate the independence of each director as well as the size and composition of the Board;
- To propose the Board's performance evaluation criteria.

ACCESS TO INFORMATION – PRINCIPLE 6

The Board members are given an update on the Group's financials, business plans and developments prior to board meetings and on an on-going basis. Management has an obligation to provide the Board with complete and adequate information in a timely manner. Board members are given full access to the Company's information and independent access to the Company's Management and Company Secretaries. To ensure that the Board members have sufficient time to look through the materials and information, all board papers are sent to the members a few days before the Board meeting.

The Directors have separate and independent access to the Company's Secretaries. The Company Secretaries assist the Chairman in ensuring that all board procedures are followed and that the Company's Memorandum and Articles of Associations and applicable rules and regulations, including requirements of the Companies Act and the Singapore Exchange, are complied with. The Company Secretary also administer, attend and prepare the minutes of all Board and Committee meetings and assist the Chairman in implementing and strengthening corporate governance practices and processes. The Company Secretaries are also the primary channel of communication between the Company and the Stock Exchange.

The Company Secretaries attend all Board and Committee meetings and the minutes of such meetings are promptly circulated to all Board members.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

Each Director, whether individually or as a group, has the right to seek independent professional advice as and when necessary, in furtherance of their duties, at the Company's expense and with the approval of the Chairman.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES – PRINCIPLE 7

There should be a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual directors. No Director should be involved in deciding his own remuneration.

The RC comprises the following Directors -:

Name	Role in RC		Role In Board
Mr Chan Pee Teck, Peter	Chairman	(Resigned on 31 Mar 2006)	Independent and Non-Executive Director
Mr Lim Ho Seng	Member	(Resigned on 31 Mar 2006)	Independent and Non-Executive Director
Mr. Wong Kok Hoe	Member	(Resigned on 15 Jan 2006)	Independent and Non-Executive Director
Mr Lim How Teck	Member	(Appointed on 15 Jan 2006)	Independent and Non-Executive Director
Mr Tan Tor Howe	Member	(Appointed on 15 Jan 2006)	Non-Executive Director
Mr Tan Beng Hai	Chairman	(Appointed 31 Mar 2006)	Independent and Non-Executive Director

Mr Tan Beng Hai was appointed Chairman of the RC with effect from 31 March 2006 in place of Mr Chan Pee Teck Peter, who has stepped down as Chairman and as a member of the RC on the same date.

The RC members comprise entirely of, Non-Executive Director, a majority of whom including the Chairman are independent. The members of the RC have extensive experience in the formulation and implementation of wages policies and compensation schemes. If necessary, the RC will seek expert advice on human resource matters or on remuneration of all directors, either within or outside the Company.

The RC's responsibilities include the following:

- Recommending to the Board a framework of remuneration, and the specific remuneration packages for each director and the CEO (including but not limited to director's fees, salaries, allowances, bonuses, options and benefits in kind) for the Board and key executives. If necessary, the RC will seek expert advice inside and/or outside the company on remuneration of all directors;
- Review the adequacy and form of compensation of executive directors to ensure that the compensation realistically commensurate with the responsibilities and risks involved in being an effective executive director;
- The performance-related elements of remuneration are designed to align interest of executive directors with those of shareholders and link rewards to corporate and individual performance. There is an appropriate and meaningful measures for the purpose of assessing executive directors' performance;
- Recruiting executive directors of the Company and determining their employment terms and remuneration;
- Positioning the Company's executive remuneration package relative to other companies or its competitors;
- Reviewing and recommending to the Board the terms of renewal for those executive directors whose current employment contracts have expired;
- Ensuring adequate disclosure in the directors' remuneration as required by regulatory bodies such as the Singapore Stock Exchange;
- Overseeing the payment of fees to non-executive directors.

LEVEL AND MIX OF REMUNERATION – PRINCIPLE 8

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The RC adopts a formal procedure for fixing the remuneration packages of individual directors. In setting the remuneration package of the individual directors, the Company takes into consideration the following factors:

- Pay and employment conditions within the industry and in comparable companies;
- The Company's relative performance and the performance of the individual directors;
- The attractiveness of the remuneration package so as to retain the directors and motivate them to run the Company successfully;
- Significance of performance related elements of remuneration; and
- Effort, time spent and responsibilities of the individual directors.

Executive Directors:
Executive directors receive their remuneration in two key components, that is, fixed monthly salary and a variable profit share. The fixed monthly salary includes car allowance and central provident fund contribution. The variable portion of profit share depends largely on the performance of the Group and individual performance and is payable upon the achievement of corporate targets. Executive Directors do not receive any director's fees.

Non-Executive Directors:
Non-Executive Directors are paid an annual director's fee. In determining the quantum of director's fees, factors such as effort and time spent, and responsibilities of the directors are taken into account. The RC ensures that none of the Non-Executive Directors are over-compensated to the extent that their independence may be compromised. The director's fees are subject to shareholders' approval at the Annual General Meetings.

The remuneration policies for the Executive and Non-Executive Directors have been endorsed by the RC and the Board.

DISCLOSURE ON REMUNERATION – PRINCIPLE 9

The RC proposes appropriate remuneration frameworks for adoption by the Board and ensures that the Management carries out the approved policies accordingly.

Guideline 9.2 Remuneration Details of the Directors

The remuneration of Directors for the year ended 31 December 2006 is set out below:

Name of Director	Salary %	Car Allowance %	Bonus %	Central Provident Fund Contribution %	Director Fees %	Total %
Non- Executive Directors						
Below $250,000						
Mr Lim How Teck	0%	0%	0%	0%	100%	100%
Mr Tan Tor Howe	0%	0%	0%	0%	100%	100%
Mr Jean Eric Salata	0%	0%	0%	0%	100%	100%
Mr Tan Beng Hai	0%	0%	0%	0%	100%	100%
Executive Directors						
$ 750,001 to $1,000,000						
Mr Luong Andy	33%	6%	59%	2%	0%	100%

Guideline 9.2 – Remuneration of the top five executive of the Group

The remuneration of top 5 key executives (who are not Directors of the Company) for the year ended 31 December 2006 is set out below:

Name of Key Executive	Salary %	Car Allowance %	Other Allowance	Bonus %	Central Provident Fund Contribution %	Total %
$500,001 to $750,000						
Sylvia SY Lee Luong[1]	45%	5%	0%	48%	2%	100%
$150,001 to $250,000						
Yeo Sock Koon, Maggie[2]	54%	7%	26%	10%	3%	100%
Tan Cheng Lock, Winston	71%	12%	0%	13%	5%	100%
Below $ 150,000						
Goh Koh Ling	74%	16%	0%	6%	4%	100%
Arimura Shinichiro	66%	0%	22%	6%	6%	100%

1: Ms. Sylvia SY Lee Luong is the wife of the Executive Director, Mr. Luong Andy.

2: Ms. Yeo Sock Koon, Maggie had resigned on 31 December 2006.

Other than as disclosed, there are no other key executives who are related to any Director.

During the financial year ended 31 December 2006, no employee share scheme was implemented and no share options were granted.

ACCOUNTABILITY – PRINCIPLE 10

The Board is accountable to the shareholders while the Management is accountable to the Board.

As defined in the Code, the Board presents to shareholders a balanced and understandable assessment of the Company's performance, position and prospect. The Management provides all Board members with management reports and accounts which represent balanced, understandable assessment of the Company's performance, position and prospect on quarterly basis.

It is the Board's policy to provide the shareholders with all important and price sensitive information. These are done through the SGXNET during the quarterly announcements and as and when necessary.

AUDIT COMMITTEE – PRINCIPLE 11

The Audit Committee ("AC") comprises the following members:

Name	Role in AC		Role In Board
Mr Lim Ho Seng	Chairman	(Resigned on 31 Mar 2006)	Independent and Non-Executive Director
Mr Chan Pee Teck, Peter	Member	(Resigned on 31 Mar 2006)	Independent and Non-Executive Director
Mr Wong Kok Hoe	Member	(Resigned on 15 Jan 2006)	Independent and Non-Executive Director
Mr Lim How Teck	Chairman	(Appointed as member on 15 Jan 2006 and appointed as Chairman on 31 Mar 2006)	Independent and Non-Executive Director
Mr Tan Tor Howe	Member	(Appointed on 15 Jan 2006)	Non-Executive Director
Mr Tan Beng Hai	Member	(Appointed on 31 Mar 2006)	Independent and Non-Executive Director

Mr Ho Sing was appointed as a member of the Audit Committee on 21 March 2007.

The roles and responsibilities of the AC are to:

- Recommend to the Board, the external auditor to be appointed and the remuneration and terms of engagement letter therein;
- Review with the internal and external auditors, the audit plan, including the nature and scope of the audit and its cost effectiveness before the audit commences;
- Review with the internal and external auditors, their evaluation of the adequacy of the system of internal accounting controls and compliance functions;
- Review the Group's audited annual report and other quarterly financial statements and related notes and formal announcements thereto; accounting principles adopted and the external auditors' report prior to recommending to the Board for approval;
- Review the nature, scope, extent and cost effectiveness of non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors;
- Reviewing any significant financial reporting issues, judgement and estimates made by the management, so as to ensure the integrity of the financial statements of the Company;
- Discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss,
- Review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

The AC is guided by its terms of reference which provides explicit authority to investigate any matters within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director and executive officer to attend its meeting, and reasonable resources to enable it to discharge its functions properly.

The AC met with external auditors, and with internal auditors, without the presence of Company's management, at least once a year.

INTERNAL CONTROLS – PRINCIPLE 12

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Having identified the risks to the achievement of their strategic objectives, each business is required to document and propose the mitigating actions in place in respect of each significant risk.

During the financial period, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the Group's system of internal controls in the light of key business and financial risks affecting the operations.

INTERNAL AUDIT – PRINCIPLE 13

The internal audit ("IA") function of the Group is outsourced to Deloitte and Touche Enterprise Risk Services Pte Ltd ("D&T"). The IA reports to the Audit Committee. D&T is guided by the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditors have conducted reviews of the Group's material controls, in accordance with risk-based audit plans that are duly approved by the AC, including financial, operational and compliance controls and their associated risks. The reviews provide the Board an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control environment.

The internal auditors have highlighted to the AC and Management certain internal control procedures that could be enhanced to ensure compliance with established control procedures. The AC noted that while Management is taking remedial actions, some of the recommendations require resources and time for them to be effectively implemented. The AC will continuously review the effectiveness of the actions taken by Management on the recommendations made by the external and internal auditors.

COMMUNICATION WITH SHAREHOLDERS – PRINCIPLES 14 AND 15

The Board's policy is that shareholders are informed promptly of all major developments that may impact materially on the Company.

The Company strives for timeliness and transparency in its disclosure to the shareholders and the public. In addition to the regular dissemination of the information through SGX-net, the media and the website of the Company, the Company also responds to all enquiries from investors, analysts, fund managers and the media through its Corporate Communications Department and holds analysts meeting at least twice annually.

Information is first disclosed to all shareholders through SGXNET announcements before the Company meets with any group of analysts or investors. This ensures that all shareholders and the public have fair access to information. Where inadvertent disclosures are made to a select group of people, or unfounded rumours are spread about the Company, the Company will make the same disclosures and clarify all rumours publicly immediately.

Shareholders are encouraged to attend and participate at the Company's Annual General Meetings to ensure that they have a better understanding of the Group's plans and developments for the future. The Chairman of the Board, AC, NC, RC, and Management are required to and are present at these meetings to address any questions that the shareholders may have. The Company's external auditors are also invited to attend the Annual General Meeting and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report. The Board values shareholders' feedback and input.

The Company's Articles of Association provides for a shareholder of the Company to appoint one or two proxies to attend the Annual General Meetings and to vote in place of the shareholders.

REPORT ON CORPORATE GOVERNANCE

DEALING IN SECURITIES

The Company has adopted the internal code of Best Practices which prohibits the Directors, key executive officers and staff who possess price sensitive information to deal with the Company's securities during the period beginning one month before the release of the half year and full year results and during the period beginning two weeks before the release of the its quarter results.

INTERESTED PERSON TRANSACTIONS

The Company has an internal policy to deal with interested person transactions. All interested person transactions will be documented and submitted to the AC on a quarterly basis for their review and approval to ensure that the transactions are carried out at arm's length.

During the current year, there were interested person transactions involving Mr. Luong Andy. However, as the amounts involved were below the threshold limit under the Listing Manual, no immediate disclosure was made. All interested person transactions were conducted on arm's length basis and on normal commercial terms. The company has requested its internal auditors to perform a review of such transactions to establish that they have been conducted on normal commercial terms.

FINANCIAL CONTENTS

REPORT OF THE DIRECTORS

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the financial year ended 31 December 2006. Before 12 March 2007, the company was known as Norelco UMS Holdings Limited which was changed to its present name.

1 DIRECTORS AT DATE OF REPORT

The directors of the company in office at the date of this report are:

Executive Director :
Mr Luong Andy

Non-executive Directors :

Mr Ho Sing	(Independent Director – Appointed on 1 December 2006)
Mr Lim How Teck	(Independent Director – Appointed on 15 January 2006)
Mr Tan Tor Howe	(Appointed on 15 January 2006)
Mr Tan Beng Hai	(Independent Director – Appointed on 22 March 2006)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate except as disclosed in paragraph 5 below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital, options and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Cap. 50 except as follows:

	Held in the name of director		Deemed interest	
Name of directors and company in which interests are held	At the beginning of year or date of appointment if later	At the end of year	At the beginning of year or date of appointment if later	At the end of year
	Shares of no par value			
UMS Holdings Limited (the company)				
Mr Luong Andy	100,428,727	100,428,727	–	–
Mr Tan Tor Howe	389,747	389,747	–	–

By virtue of section 7 of the Companies Act, Cap. 50, Mr Luong Andy is deemed to have an interest in all the related corporations of the company.

The directors' interests as at 21 January 2007 were the same as those at the end of the year.

4 CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the financial year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap. 50, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

There were certain transactions (shown in the financial statements) with corporations in which certain directors have an interest.

5 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted except as follows:

As announced on 31 March 2004 in the circular dated 11 March 2004 to the shareholders, the company entered into an option agreement ("Replacement Option Agreement") with Applied Materials, Inc ("Applied Materials") relating to the grant of an option ("Replacement Option") to Applied Materials to subscribe for up to 24,116,400 of the Consideration Shares ("Replacement Option Shares") at an exercise price of $0.3658 per share ("Exercise Price") (as such number of Shares and/or exercise price may be adjusted from time to time in accordance with the terms of the Replacement Option Agreement), such Replacement Option to be exercisable at any time and from time to time during the period ("Replacement Option Period") commencing from the Completion Date and ending on 22 October 2007 ("Expiry Date").

The Replacement Option comprises 24,116,400 of the Consideration Shares which the Specified Vendors (see table below) have agreed not to be issued in order that the company may instead grant an option over such shares in favour of Applied Materials.

The assumptions of an obligation ("Norelco Obligation") to the specified Vendors pursuant to the Sale and Purchase Agreement are as follows:

- in the event that Applied Materials exercises the Replacement Option and/or any such further option referred to the above, whether in whole or in part, from time to time, to pay to the Specified Vendors, without any set-off, counterclaim or deduction whatsoever, the aggregate exercise price received from Applied Materials upon the exercise of the Replacement Option and/or such further option in the proportion set out in the Sale and Purchase Agreement and the Norelco Obligation shall be discharged to the extent of such exercise price so paid and/or ;

- in the event that Applied Materials does not exercise all or any part of the Replacement Option and/or if all or any part of the Replacement Option for any reason lapses or is cancelled, surrendered or terminated, from time to time, to allot and issue to the Specified Vendors, without any set-off, counterclaim or deduction whatsoever, all such Shares as may be comprised in the Replacement Option which have not yet been exercised, have lapsed and/or have been cancelled, surrendered or terminated in such manner and in the proportion set out in the Sale and Purchase Agreement and the Norelco Obligation shall be discharged to the extent of such Shares so issued.

Applied Materials will be entitled to exercise the Replacement Option to subscribe for the Replacement Option Shares during the period commencing from the Completion Date and ending on the Expiry Date. In the event that Applied Materials has not exercised the Replacement Option by the Expiry Date, or if Applied Materials cancels or surrenders the Replacement Option prior to the Expiry Date, the Replacement Option Shares will be issued to the Specified Vendors in the following proportions :-

Name of Specified Vendors	Number of shares to be issued to Specified Vendors in the event that Applied Materials does not exercise the Replacement Option
Luong Andy	17,685,178
Quest World Investment Limited	5,707,539
Chan Whye Mun	587,139
Tan Tor Howe	136,544
Total	24,116,400

5 OPTIONS TO TAKE UP UNISSUED SHARES (CONT'D)

At the end of the financial year, details of outstanding options granted under the Replacement Option are as follows:

Date of grant	Balance at the beginning of the year	Granted	Balance at the end of the year	Exercise Price	Exercise Period
31 March 2004	24,116,400	–	24,116,400	$0.3658	31 March 2005 to 22 October 2007

At the date of this report, no options have been exercised under the Replacement Option Agreement.

The company is committed to issue 24,116,400 ordinary shares for which consideration has already been received. There will be no further proceeds from the issue of these shares.

6 OPTIONS EXERCISED

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares except as mentioned in the paragraph 5 above.

7 UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option except as mentioned in paragraph 5 above.

8 AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

Mr Lim How Teck (Chairman)
Mr Tan Tor Howe
Mr Tan Beng Hai

The audit committee performs the functions specified by section 201B (5) of the Companies Act. Amongst others, it performed the following functions:

- Reviewed with the independent external auditors the external audit plan;
- Reviewed with the independent external auditors their report on the financial statements and the assistance given by the company's officers to them;
- Reviewed with the internal auditors their evaluation of the company's internal accounting control, the scope and results of the internal audit procedures;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report.

The audit committee has recommended to the board of directors that the independent auditors, RSM Chio Lim, be nominated for re-appointment as independent auditors at the next annual general meeting of the company.

9 SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 27 February 2007, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

10 AUDITORS

The auditors, RSM Chio Lim, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD OF DIRECTORS

Luong Andy
Director

Lim How Teck
Director

12 March 2007

STATEMENT OF DIRECTORS

In the opinion of the board of directors, the accompanying financial statements set out on pages 36 to 82 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2006 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the year ended on that date and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors authorised the issue of these financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS

Luong Andy
Director

Lim How Teck
Director

12 March 2007

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UMS HOLDINGS LIMITED (REGISTRATION NO: 200100340R)

We have audited the accompanying financial statements of UMS Holdings Limited and its subsidiaries (the group), which comprise the balance sheets of the group and the company as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement of the group, and statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 36 to 82.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the consolidated financial statements of the group and the balance sheet of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2006 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the independent auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim
Certified Public Accountants
Singapore

12 March 2007

Partner-in-charge: Kaka Singh
Effective from year ended 31 December 2005

BALANCE SHEETS
AS AT 31 DECEMBER 2006

	Notes	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
ASSETS					
Current assets					
Cash and cash equivalents	4	37,174	17,234	1,443	192
Assets classified as held for sale	5	4,124	–	–	–
Trade and other receivables	6	26,459	24,749	18,391	13,945
Inventories	7	25,175	34,424	–	–
Total current assets		92,932	76,407	19,834	14,137
Non-current assets					
Investments in subsidiaries	8	–	–	138,888	136,818
Property, plant and equipment	9	63,615	73,007	–	–
Goodwill	10	81,495	81,495	–	–
Other long-term loan receivable	11	–	–	8,639	13,566
Total non-current assets		145,110	154,502	147,527	150,384
Total assets		238,042	230,909	167,361	164,521
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings	12	4,593	252	–	–
Trade and other payables	13	21,217	19,569	2,771	526
Deferred income	14	–	383	–	–
Income tax payable		458	1,860	237	202
Current portion of long-term borrowings	15	2,415	4,755	748	889
Current portion of finance leases	16	8	815	–	–
Total current liabilities		28,691	27,634	3,756	1,617
Non-current liabilities					
Deferred tax	24	3,672	2,458	–	–
Deferred income	14	–	1,956	–	–
Long-term borrowings	15	2,236	11,827	292	1,037
Finance leases	16	12	852	–	–
Long-term provision	17	1,200	–	–	–
Total non-current liabilities		7,120	17,093	292	1,037
Total liabilities		35,811	44,727	4,048	2,654
Capital and reserves					
Share capital	18	133,884	136,989	133,884	136,989
Other reserves		18,838	18,824	18,992	18,992
Retained earnings		49,509	30,369	10,437	5,886
Total equity		202,231	186,182	163,313	161,867
Total liabilities and equity		238,042	230,909	167,361	164,521

See accompanying notes to financial statements.

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2006

	Notes	Group 2006 $'000	Group 2005 $'000
Revenue	19	167,451	152,994
Financial income	20	456	1,037
Financial expense	20	(4,342)	(1,502)
Changes in inventories		(9,250)	(2,771)
Raw material purchases and sub-contractor charges		(80,002)	(84,520)
Employee benefits expense	21	(31,321)	(28,892)
Depreciation expense		(10,432)	(9,959)
Other expenses	22	(13,874)	(12,504)
Other credits / (charges)	23	6,892	(959)
Profit before income tax		25,578	12,924
Income tax expenses	24	(1,518)	(1,815)
Net profit for the year		24,060	11,109
Basic earnings per share	26	6.27 cents	2.88 cents
Diluted earnings per share	26	5.90 cents	2.71 cents
First and final exempt (one-tier) dividend paid	27	1.25 cents	1.10 cents

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2006

	Share Capital	Capital reserve	Statutory reserve	Foreign exchange translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Balance at 31 December 2005	136,989	18,992	–	(481)	23,556	179,056
Changes in equity for 2005						
Net expenses recognised directly in equity:						
Transfer (Note 28)	–	–	50	–	(50)	–
Currency translation differences	–	–	–	263	–	263
Total expenses recognized directly in equity	–	–	50	263	(50)	263
Net profit for the year	–	–	–	–	11,109	11,109
Total income recognised for the year	–	–	50	263	11,059	11,372
Dividends paid of 1.10cents per share (Note 27)	–	–	–	–	(4,246)	(4,246)
Balance at 31 December 2005	136,989	18,992	50	(218)	30,369	186,182
Changes in equity for 2006						
Net expenses recognised directly in equity:						
Transfer (Note 28)	–	–	95	–	(95)	–
Currency translation differences	–	–	–	(81)	–	(81)
Total expenses recognised directly in equity	–	–	95	(81)	(95)	(81)
Net profit for the year	–	–	–	–	24,060	24,060
Total income and (expenses) recognised for the year	–	–	95	(81)	23,965	23,979
Purchase as treasury shares	(3,105)	–	–	–	–	(3,105)
Dividends paid of 1.25 cents per share (Note 27)	–	–	–	–	(4,825)	(4,825)
Balance at 31 December 2006	133,884	18,992	145	(299)	49,509	202,231
		(a)	(a)	(a)		

(a) Not available for distribution as cash dividends.

Also see Notes 18 and 28.

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2006

	Share capital	Capital reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000
Company				
Balance at 31 December 2005	136,989	18,992	4,529	160,510
Changes in equity for 2005				
Net profit for the year	–	–	5,603	5,603
Total income recognised for the year	–	–	5,603	5,603
Dividends paid of 1.10 cents per share (Note 27)	–	–	(4,246)	(4,246)
Balance at 31 December 2005	136,989	18,992	5,886	161,867
Changes in equity for 2006				
Net profit for the year	–	–	9,376	9,376
Total income recognised for the year	–	–	9,376	9,376
Purchase as treasury shares	(3,105)	–	–	(3,105)
Dividends paid of 1.25 cents per share (Note 27)	–	–	(4,825)	(4,825)
Balance at 31 December 2006	133,884	18,992	10,437	163,313
		(a)		

(a) Not available for distribution as cash dividends.

Also see Notes 18 and 28.

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2006

	Notes	2006 $'000	2005 $'000
Cash flows from operating activities:			
Profit for the year		24,060	11,109
Adjustments for:-			
Income tax expense		1,518	1,815
Depreciation expense		10,432	9,959
Deferred income amortisation	14	(256)	(384)
(Gain)/Loss on disposal of plant and equipment		(1,873)	251
(Gain) on disposal of recycling business		(11,990)	–
Interest income		(231)	(112)
Interest expense		742	883
Loss on impairment of property		–	1,250
Unrealised foreign exchange adjustment losses/(gains)		3,416	(124)
Operating profit before working capital changes		25,818	24,647
Restricted-cash	4	5	190
Trade and other receivables		(2,657)	10,143
Inventories		9,249	2,771
Trade and other payables		(14)	(7,144)
Cash generated from operations		32,401	30,607
Income tax paid		(1,751)	(1,008)
Net cash from operating activities		30,650	29,599
Cash flows from investing activities:			
Disposal of property, plant and equipment		2,674	507
Purchase of property, plant and equipment	4	(9,041)	(12,463)
Proceeds from disposal of recycling business		14,651	–
Foreign currency alignment		(236)	180
Interest received		231	112
Net cash from/(used in) investing activities		8,279	(11,664)
Cash flows from financing activities:			
(Decrease)/Increase in borrowings		(7,117)	687
Dividends paid		(4,825)	(4,246)
Purchase of treasury shares		(3,105)	–
Finance leases payments		(1,676)	(858)
Interest paid		(742)	(883)
Net cash used in financing activities		(17,465)	(5,300)
Net increase in cash and cash equivalents		21,464	12,635
Net effect of exchange rate changes		(1,267)	114
Cash and cash equivalents at beginning of year		16,887	4,138
Cash and cash equivalents at end of year	4	37,084	16,887

See accompanying notes to financial statements.

1 GENERAL

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars. They are drawn up in accordance with the provisions of the Companies Act, Cap. 50 and the Singapore Financial Reporting Standards ("FRS") and they cover the parent and the group entities. The company's financial statements have been prepared on the same basis, and as permitted by the Companies Act, Cap. 50, no income statement is presented for the company. The financial statements were approved and authorised for issue by the board of directors on 12 March 2007.

Before 12 March 2007, the company was previously known as Norelco UMS Holdings Limited which was changed to its present name.

The principal activity of the company is investment holdings.

The company is listed on the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

The registered office address of the company is: 23 Changi North Crescent, Singapore 499616.

The company is domiciled in Singapore.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION – The financial statements are prepared under the historical cost convention except where an FRS require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

BASIS OF PRESENTATION – The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the balance sheet date each year of the company and its subsidiaries. Consolidated financial statements are the financial statements of the group presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of goodwill if any is included in the determination of the gain or loss on disposal.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS – The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents include bank and cash balances and any highly liquid debt instruments purchased with an original maturity of three months or less. Cash for the cash flow statement includes cash and cash equivalents less bank overdrafts payable on demand that form an integral part of cash management and cash subject to restriction. Other financial assets and financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement. Cash flows arising from hedging instruments are classified as operating, investing or financing activities, on the basis of the classification of the cash flows arising from the hedged item.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

TRADE RECEIVABLES – After initial recognition at fair value, trade receivables are measured at amortised cost using the effective interest method except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant. Trade receivables are stated after provision for impairment. The amount of the provision for impairment is recognised in the income statement. A trade receivable amount is regarded as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of trade receivables are assumed to approximate their fair values. Normally no interest is charged on trade receivables.

LOANS AND RECEIVABLES – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the near term and are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration and are classified as available for sale. After initial recognition such financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the non-current financial assets that are loans and receivables which are measured at amortised cost using the effective interest method less provision for impairment. These items are included in the balance sheet in loans and receivables as current assets or as non-current assets where the maturities are greater than 12 months after the balance sheet date.

INVENTORIES – Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

SUBSIDIARIES – A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. In the company's own separate financial statements, the investments in subsidiaries are stated at cost less any provision for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

BUSINESS COMBINATIONS – Business combinations are accounted for by applying the purchase method. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Any excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is accounted for as "negative goodwill". The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTIES, PLANT AND EQUIPMENT – Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of properties, plant and equipment. The annual rates of depreciation are as follows:

Freehold buildings	-	2%.
Leasehold land and buildings	-	Over the terms of lease that are from 1.7% to 3.3%.
Plant and equipment	-	12.5% to 100%.
Freehold land	-	Depreciation is not provided.

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses. The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the income statement.

Cost also includes acquisition cost, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement when they are incurred. Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

IMPAIRMENT OF NON-FINANCIAL ASSETS – At each full year balance sheet date an assessment is made whether there is any indication that a depreciable or amortisable asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IMPAIRMENT OF FINANCIAL ASSETS – All financial assets except those measured at fair value through profit or loss are subject to review for impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

ASSETS CLASSIFIED AS HELD FOR SALE – A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use such as where the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is highly probable and expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount of the asset and fair value less costs to sell.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FINANCIAL LIABILITIES – Financial liabilities at fair value through profit or loss when recognised initially are measured at fair value. Financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition financial liabilities at fair value through profit or loss, including derivatives that are financial liabilities, are measured at fair value. Other financial liabilities not at fair value through profit or loss are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Items classified within trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

LIABILITIES AND PROVISIONS – A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These include trade and other payables and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

LEASES AS A LESSEE– A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

FINANCIAL GUARANTEE – A financial guarantee contract requires that the issuer makes specified payments to reimburse the holder for a loss when a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18.

LIABILITIES AND EQUITY FINANCIAL INSTRUMENTS – A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. The equity and the liability elements of compound instruments are classified separately as equity and as a liability. Equity instruments are recorded at the proceeds net of direct issue costs.

SHARE CAPITAL – Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Where the company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders and no gain or loss is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FAIR VALUE OF FINANCIAL INSTRUMENTS – The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of non-current financial instruments are not disclosed unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes. Disclosures of fair value are not made when the carrying amount is a reasonable approximation of fair value. The maximum exposure to credit risk is the fair value of the financial instruments at the balance sheet date.

REVENUE RECOGNITION – The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the entity and it is shown net of related tax, estimated returns, discounts and volume rebates. Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset.

A fair value gain or loss on a financial asset or financial liability classified as at fair value through profit or loss that is not part of a hedging relationship is recognised in profit or loss. A fair value gain or loss on an available-for-sale financial asset is recognised directly in equity, except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends on equity instrument are recognised in profit or loss when the entity's right to receive payment is established. For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process. However, hedged items are taken to equity.

FOREIGN CURRENCY TRANSACTIONS – The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement. The presentation is in the functional currency.

FOREIGN CURRENCY FINANCIAL STATEMENTS – The foreign subsidiaries determine the appropriate functional currency as it reflects the primary economic environment in which the entities operate. In translating the financial statements of a foreign entity for incorporation in the combined financial statements the assets and liabilities denominated in currencies other than the functional currency of the company are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity.

BORROWING COSTS – All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest expense is calculated using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAX – The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from (a) goodwill for which amortisation is not deductible for tax purposes; or (b) the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognised for all taxable temporary differences associated with investments in subsidiaries because (a) the company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS – Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. This includes the government managed retirement benefit plan such as the Central Provident Fund in Singapore. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

SEGMENT REPORTING – A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

The critical judgements made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

<u>Critical accounting judgements:</u>

FINANCE AND OPERATING LEASES – Four units of land whereby one is under a 30-year lease with an option for a further 30-year lease taken out in 1995, while another one a 60-year lease taken out in 1997 and another two units of land are under a 30-year lease taken out in 2003 and 2005. In making an evaluation judgement is used in determining lease classification into operating leases or finance leases. The land titles do not pass at the end of the lease term. The rent paid to the landlord is increased to market rent at regular intervals, and the group does not participate in the residual value. As substantially all the risks and rewards are with the landlord based on these qualitative factors it was judged that the entire land is an operating lease.

<u>Critical assumptions and estimation uncertainties:</u>

ESTIMATED IMPAIRMENT OF GOODWILL – An assessment is made annually whether goodwill has suffered any impairment loss, based on the recoverable amounts of the cash generating units ("CGU"). The recoverable amounts of the CGUs was determined based on value in use calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 9. Actual outcomes could vary from these estimates. If the actual gross margin and the pre-tax discounted rate had been more favourable than management's estimates, the group would not be able to reverse any impairment losses that arose on goodwill because reversal is not permitted by FRS 36 (see Note 10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

ALLOWANCES FOR DOUBTFUL ACCOUNTS – An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

INVENTORY RELATED ALLOWANCES – A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory. The amount of inventory affected at the balance sheet date was $25,175,000.

USEFUL LIVES OF PLANT AND EQUIPMENT – The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific class of assets affected by the assumption is $63,615,000.

ESTIMATED IMPAIRMENT OF SUBSIDIARY – When a subsidiary is in net equity deficit and has suffered operating losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset affected by the assumption is $312,000.

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

GENERAL RISK MANAGEMENT PRINCIPLES – The financial instruments comprise borrowings, some cash and liquid resources, and various other items, including trade and other receivables, trade and other payables. There are also derivatives transactions. The main purpose of these financial instruments is to raise and manage finance for the entity's operations. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. The management reviews and monitors policies for managing each of these risks and they are summarised below.

CREDIT RISK ON FINANCIAL ASSETS – Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. Credit risk on cash balances and derivative financial instruments is limited because the counter-parties are banks with high credit ratings. An ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the income statement. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

OTHER RISKS ON FINANCIAL INSTRUMENTS – The main risks arising from the entity's financial instruments are interest risk, liquidity risk and foreign currency risk. The operations are financed through a mixture of retained earnings and borrowings. Borrowings are in the desired currencies at both fixed and floating rates of interest. The policy is to retain flexibility in selecting borrowings at both fixed and floating rates interest. There is exposure to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. Interest rate swaps were not used to generate the desired interest profit and to manage the exposure to interest rate fluctuations. There is also exposure to liquidity. As regards liquidity, the policy has been to ensure continuity of funding and where necessary a certain percentage of the borrowings should mature in two to five years. Short-term flexibility is achieved by overdraft facilities. There is also exposure to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. These exposures and changes in fair values from time to time are monitored and any gains and losses are included in the income statement unless otherwise stated in the notes to the financial statements. The policy is to reduce currency exposures through forward currency contracts or other arrangements. From time to time, there may be borrowings and foreign exchange arrangements or interest rate swap contracts or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the liabilities. These arrangements are not used for trading or speculative purposes.

FOREIGN EXCHANGE FORWARD CONTRACTS – Foreign exchange forward contracts are used to limit exposure to losses on account receivables and payables and anticipated transactions denominated in foreign currencies resulting from changes in foreign currency exchange rates. Foreign exchange forward contracts which are designated and effective as hedges of such currency exchange rate risk on existing assets and liabilities are marked to market and included as an offset to foreign exchange losses/gains recorded on the existing assets and liabilities. Sometimes certain forward contracts are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those contracts are recognised directly in the income statement and the hedged item follows normal accounting policies.

OTHER BUSINESS RISKS AND UNCERTAINTIES – There is exposure to a number of risks including the development and marketing of unproven products, the need to maintain adequate financing, better capitalised competitors, dependence on the hard disk drive and semiconductor industries, a few major customers and essential personnel. The industries are characterised by rapid technological developments, frequent products introductions, evolving industry standards, changes in customer requirements and short product life cycles. Significant technological changes or the emergence of competitive products with new capabilities could adversely affect the business plan and operating results of the group.

In addition, there is no assurance that the group's major customers will continue to use its services in the future. Accordingly, the operating results would be adversely affected if any of the major customers reduces its purchases from the group or ceases to be its customer.

3 RELATED PARTY TRANSACTIONS

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

#3.1 Related companies:

There are transactions and arrangements between the members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance. The guarantees are provided by the guarantor and fair values are imputed and are recognised accordingly where no charge is paid.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

#3.2 Other related parties:

There are transactions and arrangements between the company and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance.

Significant other related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following: -

	Other related parties	
	2006 $'000	2005 $'000
Sale of goods	(51)	(85)
Purchases of goods	–	1,537
Payment on behalf for purchases and services	210	1,293
Subcontractor works	1,621	694
Warehousing charge	–	306

Related parties are companies in which Luong Andy and Tan Tor Howe (directors of the company) have interest.

3 RELATED PARTY TRANSACTIONS (CONT'D)

#3.3 Key management compensation:

Group

	2006 $'000	2005 $'000
Salaries and other short-term employee benefits	2,292	1,924

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for all directors and five other key management personnel. Included in the above amounts are following items:

Directors' Compensation

	2006 $'000	2005 $'000
Remuneration of directors of the company	754	330
Fees to directors of the company	178	277
Remuneration of other directors of subsidiaries	199	559
Staff remuneration to wife of Luong Andy, a director of the company	501	177

#3.4 Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movement in other long-term receivables are disclosed in Note 11.

The movements in other receivables from and other payables to related parties are as follows:

Company

	Subsidiaries	
	2006 $'000	2005 $'000
Other receivables / (other payables):		
Balance at beginning of year	13,928	26,188
Allocated income	2,451	2,177
Amounts paid out during the year	–	121
Amounts received during the year	(9,072)	(6,685)
Dividend income	9,000	5,000
Transfer to long term loan receivable	–	(12,894)
Other adjustments	(60)	21
Balance at end of year- debit /(credit), net	16,247	13,928

3 RELATED PARTY TRANSACTIONS (CONT'D)

#3.4 Other receivables from and other payables to related parties: (cont'd)

Group

	Other related parties	
	2006 $'000	2005 $'000
Other receivables / (other payables):		
Balance at beginning of year	444	209
Amounts paid out during the year	200	171
Amounts received during the year	(175)	(2,691)
Payments on behalf for purchases and services	–	2,840
Other adjustments	–	(85)
Balance at end of year – debit/(credit), net	469	444

4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Not restricted in use	37,084	17,139	1,443	192
Restricted in use [#a]	90	95	–	–
	37,174	17,234	1,443	192

Analysis of the above amount denominated in foreign currencies:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Chinese Renminbi	1,156	454	–	–
Euro Dollar	15	–	–	–
Hong Kong Dollar	2	2	–	–
Japanese Yen	11,874	281	–	–
Ringgit Malaysia	921	678	–	–
United States Dollar	11,596	11,357	10	8
Interest earning balances	35,429	14,265	1,339	163

[#a.] This is fixed deposit held by a banker to cover the bank guarantee issued.

The rate of interest for the cash on interest earning accounts is between 2.8% and 4.2% (2005: 3.1% and 4.1%). These approximate the weighted effective interest rate.

4 CASH AND CASH EQUIVALENTS (CONT'D)

A. Cash and cash equivalents in the cash flow statement

	Group	
	2006 $'000	2005 $'000
As shown as above	37,174	17,234
Restricted in use	(90)	(95)
Bank overdrafts	–	(252)
Cash and cash equivalents at end of year	37,084	16,887

B. Properties, Plant and Equipment

	Group	
	2006 $'000	2005 $'000
Purchase of properties, plant and equipment:		
Cost of properties, plant and equipment purchased	10,270	12,463
Amounts financed through finance leases	(29)	–
Provision (Note 17)	(1,200)	–
Net cash disbursed	9,041	12,463

5 ASSETS CLASSIFIED AS HELD FOR SALE

A factory building is presented as held for sale following the decision of management in 2006 to sell the factory building. The sale is expected by July 2007.

	Group	
	2006 $'000	2005 $'000
Assets held for sale:		
Factory building at net book value	4,124	–

6 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Trade receivables:				
Outside parties	19,948	23,381	–	–
Less provision for impairment	(169)	(338)	–	–
Related parties (Note 3)	113	87	–	–
Financial instruments – derivative contracts (Note 31)	59	–	–	–
Other receivables and prepayments:				
Advance payment to purchase of plant and equipment	144	48	–	–
Deposits to secure services	5,434	130	7	–
Other receivables	302	973	–	10
Less provision for impairment	–	(38)	–	–
Prepayments	159	62	35	7
Related parties (Note 3)	469	444	–	–
Subsidiaries (Notes 3 and 8)	–	–	18,349	13,928
Total trade and other receivables	26,459	24,749	18,391	13,945
Movements in above provision:				
Balance at beginning of year	376	947	–	–
Foreign exchange adjustment	–	–	–	–
Charge for other receivables included in financial income /(expense)	–	38	–	–
Reversal for trade receivables in financial income /(expense)	(57)	(536)	–	–
Bad debts written off	(150)	(73)	–	–
Balance at end of year	169	376	–	–

Analysis of the above amount denominated in foreign currencies:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Chinese Renminbi	1,042	425	–	–
Euro Dollar	27	–	–	–
Ringgit Malaysia	1,641	1,336	–	–
United States Dollar	16,136	18,509	–	–

The average credit period generally granted to trade receivable customers is about 30 - 90 days (2005: 30 - 90 days).

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Concentration of trade receivables customers:				
Top 1 customer	25,014	12,935	–	–
Top 2 customers	30,284	18,175	–	–
Top 3 customers	32,791	18,419	–	–

Current receivables with a short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair values.

7 INVENTORIES

	Group	
	2006 $'000	2005 $'000
Finished goods and goods for resale	5,870	15,440
Work-in-progress	5,079	5,043
Raw materials	14,226	13,941
	25,175	34,424
Inventories are stated after provision. Movements in provision:		
Balance at the beginning of the year	249	2,297
Charged/(Reversed) to income statement	4,683	(158)
Utilised	–	(1,890)
Balance at the end of the year	4,932	249

The reversal of the provision in 2005 was for goods with an estimated increase in net realisable value.

	2006 $'000	2005 $'000
The write-downs of inventories reversed / (charged) to income statement included in other credits/(charges)	(4,683)	158
Inventories written off charged to income statement included in other credits/(charges)	(2,544)	–

8 INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 $'000	2005 $'000
Unquoted equity shares at cost	139,882	137,780
Less provision for impairment	(994)	(962)
	138,888	136,818
Net book values of subsidiaries (also see Note 10)	98,641	81,154
Movements in the above provision:		
Balance at the beginning of the year	962	962
Charged to income statement	32	–
Balance at the end of the year	994	962

Analysis of the above amount denominated in foreign currencies:

	Company	
	2006 $'000	2005 $'000
United States Dollar	33	33

8 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the company and the subsidiaries are listed below:

Name of subsidiaries place of business and incorporation	Principal activities	Effective percentage of equity held by group		Company's cost of investment	
		2006 %	2005 %	2006 $'000	2005 $'000
Held by the company					
#a UMS Systems Pte Ltd (previously known as Norelco UMS Pte Ltd) (Singapore)	Assembly and integration of equipment and automated assembly lines	100	100	9,561	9,561
#a Norelco Centreline International Pte Ltd (Singapore)	Investment holding	100	100	800	800
#a NCS Engineering Pte Ltd (Singapore)	Design and build of automated machines and supply of industrial components	100	100	403	403
#a UMS Semiconductor Pte Ltd (Singapore)	Investment holding and precision machining of medical and wafer fabrication equipment parts manufacturers and providing electroplating and anodising services	100	100	126,983	126,983
#a UMS Aerospace Pte Ltd (Singapore)	Precision machining of machine parts for aircraft manufacturers, contract manufacturers, assemblers, special processors, dealers, designers of aerospace components and parts.	100	–	#e	–
#b Ultimate Manufacturing Solutions (Suzhou) Co., Ltd (previously known as Norelco Centreline (Suzhou) Co., Limited). (The People's Republic of China) (Jiangsu Gongzheng Certified Public Accountants)	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	#d	2,102	–
#c ASL International Trading, Inc. (USA)	Acting as group's procurement and purchasing center	100	100	33	33
				139,882	137,780

8 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries place of business and incorporation	Principal activities	Effective percentage of equity held by group		Company's cost of investment	
		2006 %	2005 %	2006 $'000	2005 $'000
Held through Norelco Centreline International Pte Ltd					
#b Norelco Centreline (KL) Sdn. Bhd. (Malaysia) (Horwath Penang)	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100	1,817	1,817
#b Ultimate Manufacturing Solutions (M) Sdn. Bhd (previously known as Norelco-UMS (M) Sdn. Bhd). (Malaysia) (Horwath Penang)	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100	2,292	2,292
#b Norelco Centreline (Hong Kong) Pte Limited (Hong Kong) (Horwath)	Investment holding	100	100	5,744	5,744
				9,853	9,853

Held through Norelco Centreline (Hong Kong) Pte Limited

				2006 HK$'000	2005 HK$'000
#b Ultimate Manufacturing Solutions (Suzhou) Co., Ltd (previously known as Norelco Centreline (Suzhou) Co., Limited). (The People's Republic of China) (Jiangsu Gongzheng Certified Public Accountants)	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	–	100	#d	10,244
				–	10,244

8 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries place of business and incorporation	Principal activities	Effective percentage of equity held by group		Company's cost of investment	
		2006 %	2005 %	2006 $'000	2005 $'000
Held through UMS Semiconductor Pte Ltd					
#a UMS Solutions Pte Ltd (Singapore)	Manufacturing and refurbishment of wafer fabrication equipment parts	100	100	7,090	7,090
#a UMS Technology Pte Ltd (Singapore)	Investment holding	100	100	4,494	4,494
				11,584	11,584
Held through UMS Technology Pte Ltd					
#b UMS-TQ Technology (Suzhou) Co., Ltd (The People's Republic of China) (Jiangsu Gongzheng Certified Public Accountants)	Manufacturing and refurbishment of wafer fabrication equipment parts and providing electroplating and anodising services	100	100	4,494	4,494

#a. Audited by RSM Chio Lim or member firms of RSM International of which RSM Chio Lim in Singapore is a member.

#b. Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim in Singapore is a member. Their names are indicated above.

#c. Not audited, as it is immaterial. The net tangible asset of the subsidiary is 0.01% of the group's total net tangible asset. It is not a significant foreign subsidiary of the Group.

#d. During the year, the company acquired the entire share capital in Ultimate Manufacturing Solutions (Suzhou) Co., Ltd from its subsidiary, Norelco Centreline (Hong Kong) Pte Ltd.

#e. Less than $1,000.

9 PROPERTIES, PLANT AND EQUIPMENT

	Freehold Land	Freehold buildings	Leasehold Properties	Land use right	Plant and equipment	Construction in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Cost :							
At beginning of year 1 January 2006	690	2,683	21,874	947	82,017	3,197	111,408
Foreign exchange adjustment	4	15	(123)	–	15	–	(89)
Additions	–	31	1,397	–	8,842	–	10,270
Reclassified as assets held for sale	–	–	(4,217)	–	–	–	(4,217)
Reclassification	–	–	4,144	(947)	–	(3,197)	–
Disposals / written off	–	–	(957)	–	(5,934)	–	(6,891)
At end of year 31 December 2006	694	2,729	22,118	–	84,940	–	110,481
Accumulated depreciation:							
At beginning of year 1 January 2006	–	54	2,446	78	35,823	–	38,401
Foreign exchange adjustment	–	–	(2)	–	(10)	–	(12)
Reclassified as assets held for sale	–	–	(93)	–	–	–	(93)
Reclassification	–	–	78	(78)	–	–	–
Depreciation for the year	–	54	588	–	9,790	–	10,432
Disposals / written off	–	–	(97)	–	(1,765)	–	(1,862)
At end of year 31 December 2006	–	108	2,920	–	43,838	–	46,866
Net book value:							
At end of year 31 December 2006	694	2,621	19,198	–	41,102	–	63,615
At beginning of year 1 January 2005	781	2,800	22,217	904	69,495	5,761	101,958
Foreign exchange adjustment	1	(2)	–	43	(7)	138	173
Additions	–	156	907	–	10,939	461	12,463
Reclassification	–	(46)	–	–	3,209	(3,163)	–
Disposals / written off	(92)	(225)	–	–	(1,619)	–	(1,936)
Impairment loss	–	–	(1,250)	–	–	–	(1,250)
At end of year 31 December 2005	690	2,683	21,874	947	82,017	3,197	111,408
Accumulated depreciation:							
At beginning of year 1 January 2005	–	34	1,979	56	27,604	–	29,673
Foreign exchange adjustment	–	1	–	3	(56)	–	(52)
Depreciation for the year	–	55	467	19	9,418	–	9,959
Disposals / written off	–	(36)	–	–	(1,143)	–	(1,179)
At end of year 31 December 2005	–	54	2,446	78	35,823	–	38,401
Net book value:							
At end of year 31 December 2005	690	2,629	19,428	869	46,194	3,197	73,007

9 PROPERTIES, PLANT AND EQUIPMENT (CONT'D)

The group's leasehold properties and plant and equipment with net book values of $3,855,196 and $Nil respectively (2005: $19,428,000 and $12,015,000 respectively) are pledged to banks to secure the bank loans and banking facilities granted to the group (Notes 12, 15 and 30).

Certain items are under finance leases agreements (see Note 16).

No borrowing costs were capitalised as part of the building costs.

In 2005, a leasehold property with a carrying amount of $6,650,000 was subject to an impairment provision of $1,250,000 which amount was included in the income statement under other credits/(charges). The value was determined by a firm of independent professional valuer on 3 February 2006 based on the existing use basis to reflect the actual market state and circumstances as of the balance sheet date and not as of either a past or future date.

10 GOODWILL

	Group	
	2006 $'000	2005 $'000
At beginning of year and at end of year	81,495	81,495

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by each primary reporting segment as follows: -

	Semiconductor segment	
	2006 $'000	2005 $'000
Name of subsidiaries:		
UMS Semiconductor Pte Ltd	79,778	79,778
Norelco Centreline (KL) Sdn. Bhd.	793	793
Ultimate Manufacturing Solutions (M) Sdn. Bhd.	924	924
Cost as at year end	81,495	81,495

The goodwill was tested for impairment in October 2006. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its value-in-use. The recoverable amounts of cash-generating units have been determined based on the value-in-use method.

10 GOODWILL (CONT'D)

The key assumptions for the value-in-use calculations are as follows:

	2006	2005
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs.	9%	8.2 %
2. Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets.	5%	5%
3. Cash flow forecasts derived from the most recent financial budgets approved by management for the next five years.	5 years	5 years

The value-in-use was determined by a firm of independent financial advisers. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

If the revised estimated free cash flow used to compute the recoverable amount of the CGUs or the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% less favourable than management's estimates at 31 December 2006, the group need not reduce the carrying value of goodwill as the recoverable amount is estimated to be higher than the carrying value. If the actual free cashflow and the pre-tax discounted rate had been more favourable than management's estimates, the group would not be able to reverse any impairment losses that arose on goodwill because reversal is not permitted by FRS 36.

11 OTHER LONG-TERM LOAN RECEIVABLE

	Company	
	2006 $'000	2005 $'000
Loan receivable from subsidiary company (Notes 3 and 8)	13,566	13,849
Add: Amount received during the year	(5,468)	(1,900)
Less: Amount paid during the year	109	1,000
Less: Current portion (Note 5)	–	(55)
Interest income on long-term receivables	441	672
Other adjustment	(9)	–
Related company (Note 3)	8,639	13,566

The agreement for the loan receivable from a subsidiary provides that it is unsecured and interest bearing. The borrowings are measured using the effective interest method. The effective floating interest rate is 5% (2005: 5%). The loan is not expected to be repaid in the foreseeable future. The carrying value approximates the fair value.

12 SHORT-TERM BORROWINGS

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Bank loans (secured)	4,593	–	–	–
Bank overdrafts	–	252	–	–
Total short-term borrowings	4,593	252	–	–

For financial year 31 December 2006, the interest on bank loan was charged at interest rates of 3.0% to 6.4% per annum (2005: 2.9% to 3.0%).

All the short-term borrowings carry floating rates of interest. The carrying amounts are assumed to be a reasonable approximation of fair values.

Certain bank loans, overdrafts and other credit facilities of the group are secured by a fixed charge over certain leasehold properties and over certain machineries and a fixed and floating charge over a subsidiary's present and future undertaking, property, assets, revenue and rights, and a corporate guarantee given by the company.

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	2006 $'000	2005 $'000
Below 6 months	4,593	252

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	16,446	15,819	587	526
Related parties (Note 3)	1,089	486	–	–
Financial instruments – derivative contracts (Note 31)	1,908	–	–	–
<u>Other payables:</u>				
Subsidiaries (Note 3)	–	–	2,102	–
For purchase of non-current assets	–	2,005	–	–
Outside parties	430	276	82	–
Deposits received	1,344	942	–	–
Other – for advances	–	41	–	–
Total trade and other payables	21,217	19,569	2,771	526

13 TRADE AND OTHER PAYABLES (CONT'D)

Analysis of the above amount denominated in foreign currencies:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Chinese Renminbi	130	206	–	–
Hong Kong Dollar	5	27	–	–
Ringgit Malaysia	1,090	2,077	–	–
United States Dollar	7,717	4,533	137	–

The average credit period taken to settle non-related trade payables is about 60 days (2005: 66 days). The other payables are with short-term durations. The carrying amounts are assumed to be a reasonable approximation of fair values.

14 DEFERRED INCOME

One of the subsidiaries entered into a facilities establishment agreement with a customer whereby the customer will provide the subsidiary certain bonus payment not exceeding US$3 million. The subsidiary's entitlement to each of the bonus payment was dependent on its ability to meet the requirements stipulated by the customer in respect of each milestone. Deferred income relates to incentive bonus payment received for the timely establishment of facilities to service the customer. The total the subsidiary received was $3,071,000 (US$1,750,000).

In the financial statements, this amount was recognised over the useful life of the assets purchased for the facilities to match against the depreciation charge of these assets.

	Group	
	2006 $'000	2005 $'000
At beginning of year	3,071	3,071
Amount transferred as realised on the disposal of the related plant and equipment during the year	(3,071)	–
At end of year	–	3,071
Accumulated amortisation:		
At beginning of year	732	348
Amount recognised in income statement under other credits/(charges)		
– Amortisation during the year	256	384
– Realised on the disposal of the related plant and equipment	2,083	–
Amount transferred as realised on the disposal of the related plant and equipment during the year	(3,071)	–
At end of year	–	732
Net deferred income at end of year	–	2,339

15 LONG-TERM BORROWINGS

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current portion:				
Due within a year	2,415	4,755	748	889
Non-current portion:				
Due within 2 to 5 years	2,236	9,627	292	1,037
After 5 years	–	2,200	–	–
Total non-current portion	2,236	11,827	292	1,037
Total bank loans (secured)	4,651	16,582	1,040	1,926

Analysis of the above amount denominated in foreign currencies:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
United States Dollar	–	9,099	–	–

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Below 6 months	1,273	2,250	439	444
Within 6 to 12 months	1,143	2,505	309	445
Within 2 to 5 years	2,235	9,627	292	1,037
Over 5 years	–	2,200	–	–
Total borrowings	4,651	16,582	1,040	1,926

The fair values of long-term debts with floating rates of interest approximate the carrying values. All the borrowings are interest bearing. The borrowings are measured using the effective interest method.

15 LONG-TERM BORROWINGS (CONT'D)

The bank loans are analysed as follows: -

(a) A ten-year bank loan of $2,350,000 is repayable in 120 equal monthly instalments commencing March 2000. It is secured by a first legal charge on a subsidiary's leasehold property and corporate guarantees given by the company. Floating rate of interest was charged at rates 5.25% (2004: 5.25% to 5.50%) per annum on a monthly rest. The borrowings have been fully settled during the year.

(b) A ten-year bank loan of $2,471,000 is repayable in 120 equal monthly instalments commencing February 2003. It is secured by a fixed charge over a subsidiary's leasehold properties, fixed charge over certain of a subsidiary's machineries, corporate guarantee given by the company and a fixed and floating charge over a subsidiary's present and future undertaking, property, assets, revenue and rights. Floating rate of interest was charged at rates ranging from 3.25% to 5.00% (2005: 3.00% to 3.25%) per annum on a monthly rest. The borrowings have been fully settled during the year.

(c) A four-year bank loan of $2,070,000 repayable in 48 equal monthly instalments commencing September 2003. It is secured by a corporate guarantee from a subsidiary company. Fixed rate of interest was charged at a rate of 4.50% (2004: 4.50%) per annum on a monthly rest. The current floating rate is 5.00%. The fair value is $3,500 higher than the book value.

(d) A ten-year bank loan of $2,174,000 is repayable in 120 equal monthly instalments commencing May 2004. It is secured by a fixed charge over a subsidiary's leasehold properties, fixed charge over certain of a subsidiary's machineries, corporate guarantee given by the company and a fixed and floating charge over the company's present and future undertaking, properties, assets, revenue and rights. For the second year a fixed rate of interest was charged at a rate of 3.00% to 3.25% (2005: 3.00% to 3.25%) per annum on a monthly rest. The borrowings have been fully settled during the year.

(e) A four-year bank loan of $1,830,000 repayable in 48 equal monthly instalments commencing July 2004. It is secured by a corporate guarantee from a subsidiary company. For the second year a fixed rate of interest was charged at a rate of 3.25% (2005: 3.25%) per annum on a monthly rest and in future a floating rate will be charged. The current floating rate is 5.00%.

(f) A four-year bank loan of $11,220,000 (USD6,830,000) is repayable in 48 equal monthly instalments commencing from January 2005. It is secured by a fixed charge over the company's leasehold property and that of a subsidiary, fixed charge over certain of the company's machineries, corporate guarantee given by the holding company and a fixed and floating charge over the company's present and future undertaking, property, assets, revenue and rights. Floating rate of interest on this bank loan was charged at 3.23% to 4% (2005: 4.75% to 5.88%) per annum on a monthly rest. The borrowings have been fully settled during the year.

(g) A three-year bank loan of $5,000,000 is repayable in 36 equal monthly instalments commencing from February 2006. It is secured by fixed charge over the company's leasehold property and corporate guarantee given by parent company and related company. Floating rate of interest was charged at rates ranging from 4.68% to 5.08% (2005: Nil) per annum on a monthly rest.

The terms of bank loan for the company provide that the company and subsidiaries (a) at all times maintains a net worth on consolidated group basis of not less than $35,000,000 and (b) maintain an EBITDA ratio of more than 300% at all times.

The terms of bank loan for one of the subsidiaries provide that the company and subsidiaries (a) at all times maintain a networth on consolidated group basis of not less than $35,000,000 (b) ratio of consolidated total liabilities to consolidated tangible networth not more than 2; and (c) ratio of consolidated EBITA to consolidated interest expenses not less than 4.

16 FINANCE LEASES LIABILITIES

	Minimum payments	Finance Charges	Present value
	$'000	$'000	$'000
Group			
2006			
Minimum lease payments payable :			
Due within one year	9	(1)	8
Due within 2 to 5 years	13	(1)	12
Total	22	(2)	20
Net book value of plant and equipment under finance leases			24
2005			
Minimum lease payments payable :			
Due within one year	879	(64)	815
Due within 2 to 5 years	873	(21)	852
Total	1,752	(85)	1,667
Net book value of plant and equipment under finance leases			3,056

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4 years. For the year ended 31 December 2006, the rate of interest for finance leases is about 4.5% (2005: 4.2% and 9.0%) per year. There is an exposure to fair value interest risk because the interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the lease obligations approximates to their carrying amount. The obligations under finance leases are secured by the lessor's charge over the leased assets.

The fair value of the lease liabilities approximates the carrying amounts.

The company has no obligations under finance leases.

17 LONG-TERM PROVISION

	Group	
	2006 $'000	2005 $'000
Provision for dismantling and removing the item and restoring the site relating to property, plant and equipment:		
Movements in above provision:		
Balance at beginning of year	–	–
Addition	1,200	–
Unwinding of discount	–	–
Used	–	–
Balance at end of year	1,200	–

The provision is based on the present value of costs to be incurred. No prior year adjustment has been made as the impact is not material.

18 SHARE CAPITAL

Details of the company's share capital and capital reserves :

	Group and Company		
	No of ordinary shares	Share capital	Capital reserve
		$'000	$'000
Balance at beginning of year 1 January 2005 and end of year 31 December 2005	386,022,600	136,989	18,992
Issues during the year	–	–	–
Balance at end of year 31 December 2005	386,022,600	136,989	18,992
Treasury shares:			
Balance at beginning of year 1 January 2006	–	–	
Acquired	7,103,000	3,105	
Sold	–	–	
Used for shares under the share option scheme for staff	–	–	
Total at end of year 31 December 2006	7,103,000	3,105	
Net balance	378,919,600	133,884	

There were no issues of shares in the financial year 2006.

With the changes to the Companies Act, Cap.50, effective from 30 January 2006, there is the removal of the concept of par value and authorised capital and there is no share premium account. The company had a share premium account balance of $117,687,000 at the end of 2005. This amount has been included in share capital as required by the changes to the Companies Act.

The capital reserve is for the proceeds received in 2004 for the option of 24,116,400 ordinary shares to Applied Materials for the acquisition of UMS Semiconductor Pte Ltd at $0.7875 per ordinary share. The company is committed to issue 24,116,400 ordinary shares for which consideration has already been received. There will no further proceeds from the issue of these shares.

18 SHARE CAPITAL (CONT'D)

The ordinary shares of no par value carry no right to fixed income and are fully paid. The only externally imposed capital requirement is that for the company to maintain its listing on the Singapore Stock Exchange it has to have a free float of at least 25% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year.

Treasury shares:

The company is authorised by the shareholders to buy up to 10% of the ordinary share capital of the company. The company acquired 7,103,000 of its own shares of no par value through purchases on the Singapore Stock Exchange in 2006 and this has been deducted from shareholders' equity. The shares are held as "treasury shares". The company has the right to reissue these shares at a later date. For the treasury shares, all rights are suspended until those shares are reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is recognised directly in equity. Such treasury shares may be acquired and held by the company or by other members of the group. Also see Note 36.

The entity's objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The entity sets the amount of capital in proportion to risk. The entity manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The entity monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interest, retained earnings, and revaluation reserve) other than amounts recognised in equity relating to cash flow hedges, and includes some forms of subordinated debt.

The decrease in the debt-to-adjusted capital ratio during 2006 resulted primarily from the reduction in net debt that occurred on repayment. There was a result of this reduction in net debt, improved profitability and lower levels of managed receivables. The dividend payment was increased in 2006 (see Note 27).

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted except as follows:

As announced on 31 March 2004 in the circular dated 11 March 2004 to the shareholders, the company entered into an option agreement ("Replacement Option Agreement") with Applied Materials, Inc ("Applied Materials") relating to the grant of an option ("Replacement Option") to Applied Materials to subscribe for up to 24,116,400 of the Consideration Shares ("Replacement Option Shares") at an exercise price of $0.3658 per share ("Exercise Price") (as such number of Shares and/or exercise price may be adjusted from time to time in accordance with the terms of the Replacement Option Agreement), such Replacement Option to be exercisable at any time and from time to time during the period ("Replacement Option Period") commencing from the Completion Date and ending on 22 October 2007 ("Expiry Date").

The Replacement Option comprises 24,116,400 of the Consideration Shares which the Specified Vendors (see table below) have agreed not to be issued in order that the company may instead grant an option over such shares in favour of Applied Materials.

18 SHARE CAPITAL (CONT'D)

The assumptions of an obligation ("Norelco Obligation") to the specified Vendors pursuant to the Sale and Purchase Agreement are as follows:

- in the event that Applied Materials exercises the Replacement Option and/or any such further option referred to the above, whether in whole or in part, from time to time, to pay to the Specified Vendors, without any set-off, counterclaim or deduction whatsoever, the aggregate exercise price received from Applied Materials upon the exercise of the Replacement Option and/or such further option in the proportion set out in the Sale and Purchase Agreement and the Norelco Obligation shall be discharged to the extent of such exercise price so paid and/or ;

- in the event that Applied Materials does not exercise all or any part of the Replacement Option and/or if all or any part of the Replacement Option for any reason lapses or is cancelled, surrendered or terminated, from time to time, to allot and issue to the Specified Vendors, without any set-off, counterclaim or deduction whatsoever, all such Shares as may be comprised in the Replacement Option which have not yet been exercised, have lapsed and/or have been cancelled, surrendered or terminated in such manner and in the proportion set out in the Sale and Purchase Agreement and the Norelco Obligation shall be discharged to the extent of such Shares so issued.

Applied Materials will be entitled to exercise the Replacement Option to subscribe for the Replacement Option Shares during the period commencing from the Completion Date and ending on the Expiry Date. In the event that Applied Materials has not exercised the Replacement Option by the Expiry Date, or if Applied Materials cancels or surrenders the Replacement Option prior to the Expiry Date, the Replacement Option Shares will be issued to the Specified Vendors in the following proportions :-

Name of Specified Vendors	Number of shares to be issued to Specified Vendors in the event that Applied Materials does not exercise the Replacement Option
Luong Andy	17,685,178
Quest World Investment Limited	5,707,539
Chan Whye Mun	587,139
Tan Tor Howe	136,544
Total	24,116,400

At the end of the financial year, details of outstanding options granted under the Replacement Option are as follows:

Date of grant	Balance at the beginning of the year	Granted	Balance at the end of the year	Exercise Price	Exercise Period
31 March 2004	24,116,400	–	24,116,400	$0.3658	31 March 2005 to 22 October 2007

At the date of this report, no options have been exercised under the Replacement Option Agreement.

The company is committed to issue 24,116,400 ordinary shares for which consideration has already been received. There will no further proceeds from the issue of these shares.

19 REVENUE

	Group	
	2006 $'000	2005 $'000
Sale of goods	166,437	148,328
Rendering of services	510	4,664
Rental income	504	2
	167,451	152,994

20 FINANCIAL INCOME AND (EXPENSE)

	Group	
	2006 $'000	2005 $'000
Bad debts write back (written off) trade receivables	59	(578)
Foreign exchange transaction net gains/(losses)	(2,684)	256
Forward contracts gains/(losses): transactions not qualifying as hedges, net	(917)	64
Interest expense	(742)	(883)
Interest income	231	112
Provision for impairment on other receivables	–	(38)
Reversal of provision for impairment on trade receivables	57	536
Others	110	66
Financial income and (expense) net	(3,886)	(465)
Presented in the income statement as:		
Financial income	456	1,037
Financial expense	(4,342)	(1,502)
Financial income (expense) net	(3,886)	(465)
Interest expense in total	(742)	(883)
Interest income in total	231	112

21 EMPLOYEE BENEFITS EXPENSE

	Group 2006 $'000	Group 2005 $'000
Employee benefits expense	28,073	26,253
Contributions to defined contribution plan	3,248	2,639
Total employee benefits expense	31,321	28,892

22 OTHER EXPENSES

	Group 2006 $'000	Group 2005 $'000
The major components include the following:		
Utilities	4,526	3,595
Freight charges	1,898	1,779
Upkeep of machinery	998	793
Rental expense	1,455	845
Upkeep of properties	673	457

23 OTHER CREDITS / (CHARGES)

	Group 2006 $'000	Group 2005 $'000
Deferred income (Note 14)	256	384
Gain / (loss) on disposal of property, plant and equipment	1,873	(251)
Gain on disposal of recycling business [#a]	11,990	–
Inventories (written down) reversal	(4,683)	158
Inventories written off	(2,544)	–
Loss on impairment of property, plant and equipment	–	(1,250)
	6,892	(959)

#a The group disposed all the recycling assets of UMS Solutions Pte Ltd to a third party.

24 INCOME TAX

	Group	
	2006 $'000	2005 $'000
Current tax expense	842	1,048
Deferred tax expense	676	767
Total tax expense	1,518	1,815

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 20% (2005: 20%) to profit before income tax as a result of the following differences:

	Group	
	2006 $'000	2005 $'000
Profit before tax	25,578	12,924
Income tax expense at the statutory rate	5,116	2,585
Tax exemptions	(2,489)	(1,542)
Non-allowable (taxable) items	(1,929)	206
Under/(over) provision	379	292
Deferred tax asset allowance	192	245
Effect of different tax rated in different countries	261	(1)
Other items	(12)	30
Total tax expense	1,518	1,815

There are no income tax consequences of dividends to shareholders of the company.

The following subsidiaries have been granted pioneer status under Section 17 of the Economic Expansion Incentives (Relief from Income Tax) Act, Chapter 86:

Name of subsidiaries	Pioneer status period	Qualifying activities
UMS Semiconductor Pte Ltd	1 January 1999 to 31 December 2003. In 2005, the pioneer status was extended to 31 December 2008	Manufacturing of precision machined parts for semiconductor front-end equipment
UMS Solutions Pte Ltd	1 February 2005 to 31 January 2009	(1) Manufacturing of precision machined parts for semiconductor front-end equipment; (2) Provision of cleaning and refurbishment services; (3) Provision of special process treatment services.

Current tax provision, if any, relates to income from non-pioneer activities. Deferred tax provision is in respect of timing differences that are expected to reverse after the pioneer period. Also see Note 29.

24 INCOME TAX (CONT'D)

The deferred tax amounts are as follows:

	Balance sheet		Net change in consolidated income statement	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Group				
Deferred tax liabilities:				
Excess of net book value of plant and equipment	(3,914)	(3,004)	910	509
Foreign exchange adjustment	–	(27)	(27)	27
Overprovision	(148)	–	148	–
Others	(28)	–	28	–
Total deferred tax liabilities	(4,090)	(3,031)	1,059	536
Deferred tax assets:				
Foreign exchange adjustment	–	–	–	53
Provision	24	–	(24)	72
Receivables	–	–	–	97
Tax loss carryforwards	1,190	585	(605)	(294)
Tax loss carryforwards used in group	(538)	–	–	–
Unabsorbed wear and tear allowance	322	376	54	58
Deferred tax assets valuation allowance	(580)	(388)	192	245
Total deferred tax assets	418	573	(383)	231
Net total of deferred tax liabilities	(3,672)	(2,458)	676	767

Presented in the balance sheet as follows:

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred tax liabilities	(3,672)	(2,458)	–	–

It is impracticable to estimate the deferred tax amount expected to be settled or used within one year.

The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. Where provision for deferred tax arising from temporary differences has been offset against the above tax loss carryforwards, such provision for deferred tax will be required to be set up when the tax losses are utilised in the future.

For the losses in Singapore, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

In 2007, the government announced a change in the national income tax rate from 20% to 18%.

25 ITEMS IN THE INCOME STATEMENT

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements. The income statement item includes the following charges / (credits): -

	Group	
	2006 $'000	2005 $'000
Included in other expenses :		
Other fees to auditors of the company	20	46

26 EARNINGS PER SHARE

The earnings per share is calculated by dividing the group's profit attributable to shareholders by the weighted number of shares of no par value in issue during the year.

The calculation of the earnings per share is based on the following:

	Group	
	2006 $'000	2005 $'000
Profit for the year attributable to equity holders of the company	24,060	11,109

	Group	
	2006	2005
Number of ordinary shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	383,896,833	386,022,600
Effect of dilutive potential ordinary shares:		
- Replacement options	24,116,400	24,116,400
Weighted average number of ordinary shares for the purposes of diluted earnings of share	408,013,233	410,139,000
Basic earning per share (cents)	6.27	2.88
Diluted earnings per share (cents)	5.90	2.71

Basic earnings per share ratio is based on the weighted average number of common shares outstanding during each period. The diluted earnings per share is based on the weighted average number of common shares and dilutive common share equivalents outstanding during each period. The common share equivalents included in these calculations are shares of common share issuable upon assumed exercise of share options for 24,116,400 shares (Note 18) which would have a dilutive effect. The diluted earnings per share figure for 2005 was incorrectly shown as 2.84 cents last year.

27 DIVIDENDS

	Group	
	2006 $'000	2005 $'000
First and final exempt (one-tier) dividend paid of 1.25 cents (2005:1.10 cents) per share	4,825	4,246

In respect of the current year, the directors propose that a final exempt (one-tier) dividend of $0.0135 per share and special exempt (one-tier) dividend of $0.0100 per share totalling $8,904,596 be paid to shareholders after the annual general meeting. There are no income tax consequences in the hands of shareholders as these dividends are exempt under S13(1)(8a) of the Income Tax Act. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2006 is payable in respect of all shares in issue at the balance sheet date and including the new shares issued up to the date the dividend becomes payable.

28 STATUTORY RESERVE

Pursuant to the relevant laws and regulations for enterprises operating exclusively with foreign capital, profits of the subsidiaries in The People's Republic of China ("PRC") are available for distribution in the form of cash dividends to the investors after the subsidiaries has (1) satisfied all tax liabilities; (2) provided for losses in previous years and (3) made appropriations to reserve fund and staff bonus and welfare fund. The subsidiaries has to appropriate at least 10% of its profit after taxation as determined in accordance with the PRC accounting standards and regulations applicable to the subsidiaries to the reserve fund until the reserve fund reaches 50% of the subsidiaries' registered capital. Appropriation to the staff bonus and welfare fund is determined at the discretion of the board of directors.

The reserve fund is not free for distribution as dividends but it can be used to offset losses or be capitalised as capital. The staff bonus and welfare fund can be used for rewards and collective welfare from employees.

29 CONTINGENT LIABILITIES

		Company	
		2006 $'000	2005 $'000
(a)	Bank guarantees in favour of subsidiaries	10,000	18,467

(b) A subsidiary, UMS Solutions Pte Ltd, has been granted pioneer status under section 17 of the Economic Expansion Incentives (Relief from Income Tax) Act, Chapter 86 for the provision of semiconductor front-end equipment modules and components, provision of cleaning and refurbishment services and special process treatment services for a period of 5 years from 1 February 2004 to 31 January 2009. The company sold its operations of the cleaning business on 31 August 2006. The company is in the process of discussing the pioneer status with Economic Development Board arising from the sale of business. In the event that the pioneer status is revoked, the company may be required to provide for up to $349,000 of income tax liability relating to past pioneer profits not provided for, subject to assessment by the Inland Revenue Service of Singapore. This amount has not been provided for in the financial statements.

The subsidiary has not completed the allocation of the gain between (a) plant and equipment and (b) recycling business. It has taken the net book value of the plant and equipment for tax computation purposes. This is subject to acceptance by the Inland Revenue Service of Singapore. Management is of the view that sale value of the plant and equipment would not be significantly different from the net book value of the plant and equipment and that the gain or loss on disposal of the plant and equipment is under the pioneer tax status period. It is not possible now to determine the amounts which may ultimately be payable, if any. Accordingly, no provision has been made for them.

30 BANKING FACILITIES

	Group	
	2006 $'000	2005 $'000
Guarantees (secured) (Note 9)	1,230	1,375

31 FINANCIAL INSTRUMENTS – DERIVATIVE CONTRACTS

	Group	
	2006 $'000	2005 $'000
Assets - Derivatives with positive fair values:		
Non-hedging instruments – Derivative contracts (Note 6)	59	–
Liabilities - Derivatives with negative fair values:		
Non-hedging instruments – Derivative contracts (Note 13)	1,908	–
Less non-current portion	–	–
Current portion	1,908	–

The movements during the year were as follows:

	Group	
	2006 $'000	2005 $'000
At fair value at beginning of year	–	–
Losses included in income statement	1,849	–
Losses included in equity	–	–
Total net balance at end of year	1,849	–

The fair values of the derivatives are estimated based on market values of equivalent instruments at the balance sheet date.

The unrealised gain for the group for 2005 was $20,000 and was not material.

Notional amounts of derivative financial instruments:

This includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

At the balance sheet date, the entity had notional amounts as follows:

	Group	
	2006 $'000	2005 $'000
Foreign exchange forward contracts – sell US$ / buy Yen[1]	16,627	–
Foreign exchange forward contracts – sell US$ / buy SGD[1]	29,251	19,600
Currency options bought	78,822	–
Currency options sold	61,452	–

The expiration dates for the derivative contracts ranged from 4 January 2007 to 5 October 2007.

1: Notional amounts to be settled maybe lower for certain contracts as they are dependent on the spot exchange rates during the contract period and at each expiration date and time.

32 CAPITAL COMMITMENTS

	Group	
	2006 $'000	2005 $'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	17,647	559
Capital commitments #a	–	14,003

#a. The above amount represents the portion of the registered share capital of the subsidiary which is unpaid as at the balance sheet date. It is no longer required.

33 OPERATING LEASE PAYMENT COMMITMENTS

At the balance sheet date, the commitments in respect of operating leases with a term of more than one year of the group were as follows :-

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Within one year	1,422	1,364	–	–
Within 2 to 5 years	2,305	3,079	–	–
After 5 years	10,567	14,441	–	–
Rental expense for the year	1,455	845	–	–

Operating lease payments represent mainly rentals payable by the group for certain of its factory premises. It comprises mainly the followings:

(a) The lease from the Jurong Town Corporation is due to expire on 30 April 2025 but with an option to renewable for another 30 years. The annual rent is subject to revision on 1 May of every year based on the market rate at the date of the revision but subject to the maximum increment of 5.5% of the annual rent of the immediate preceding year. Such increases are not included in the above amounts.

(b) The lease from the Jurong Town Corporation is due to expire on 16 August 2057. The annual rent is subject to revision on 16 August of every year based on the market rate at the date of the revision but subject to the maximum increment of 7.6% of the annual rent of the immediate preceding year. Such increases are not included in the above amounts.

(c) The lease from the Jurong Town Corporation is due to expire on 31 January 2033. The annual rent is subject to revision on 1 January of every year based on the market rate at the date of the revision but subject to the maximum increment of 5.6% of the annual rent of immediate preceding year. Such increases are not included in the above amounts.

(d) The lease from the Jurong Town Corporation is due to expire on 15 April 2034. The annual rent is subject to revision on 16 April of every year based on the market rate at the date of the revision but subject to the maximum increment of 5.5% of the annual rent of the immediate preceding year. Such increases are not included in the above amounts.

34 OPERATING LEASE INCOME COMMITMENT

At the balance sheet date the total of future minimum lease receivables under non-cancellable operating leases are as follows:

	Group	
	2006 $'000	2005 $'000
Not later than one year	994	–
Later than one year and not later than five years	3,520	–
Rental income for the year	504	2

Operating lease income is for rental receivable of subsidiaries for certain of factory property. It comprises mainly the followings:

(a) Lease with Flowserve Pte Ltd is due to be expired on 31 January 2011 but an option to renew for another 5 years. The lease rental terms are negotiated for an average term of 5 years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the above amounts.

(b) Lease with Metron Technology (Singapore) Pte Ltd is due to be expired on 6 August 2011. The lease rental terms are negotiated for an average term of 5 years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the above amounts.

35 FINANCIAL INFORMATION BY SEGMENTS

Business segments: The group's businesses are organised into two main business segments, namely semiconductor, and contract equipment manufacturing ("CEM") and others. The semiconductor segment provides precision machining components and equipment modules for semiconductor equipment manufacturers. The CEM segment is a supplier of assembly and test equipment to hard disk drive manufacturers and also includes healthcare, defence and other general manufacturing industries. In 2005 there was an "other segment" and as it is not significant it is now included under hard disk drive and others.

Intersegment sales and results include transfers between business segments. Such transfers are accounted for at competitive prices charged to external parties for similar goods. Those transfers are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets consist principally of receivables and inventories. Segment liabilities include trade payables and accrued liabilities. Unallocated items comprise cash and cash equivalents, property, plant and equipment, interest-bearing borrowings and deferred tax. All property, plant and equipment are for common use. Therefore, the capital expenditure and related expenses incurred are not allocated.

Geographical segments: The group operates in three principal geographical areas, Singapore, Malaysia and United States of America. The other geographical segment refers mainly to The People's Republic of China.

In presenting information on the basis of geographical segments, segment revenue is based on the countries of domicile of the customers. Segment assets are based on the geographical location of the assets.

35 FINANCIAL INFORMATION BY SEGMENTS (CONT'D)

Segment information about these businesses is presented below: -

Business Segments

	CEM		Semiconductor		Eliminations		Total	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Total Revenue	38,229	83,357	155,727	93,770	(26,505)	(24,133)	167,451	152,994
Segment results	1,253	668	31,407	23,329	344	310	33,004	24,307
Unallocated Financial Income							456	1,037
Unallocated Financial Expenses							(4,342)	(1,502)
Depreciation Expenses							(10,432)	(9,959)
Unallocated Expenses							6,892	(959)
Profit before income tax							25,578	12,924
Income tax expenses							(1,518)	(1,815)
Minority interests, net of tax							-	-
Net profit for the year							24,060	11,109
Group assets and liabilities								
Segment assets	15,453	24,315	29,500	33,239	-	-	44,953	57,554
Unallocated assets							193,089	173,355
Total assets							238,042	230,909
Segment liabilities	1,695	6,292	6,219	6,658	-	-	7,914	12,950
Unallocated liabilities							27,897	31,777
Total liabilities							35,811	44,727

35 FINANCIAL INFORMATION BY SEGMENTS (CONT'D)

Geographical segments:

	Singapore		Malaysia		USA		Others		Eliminations		Total	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Total revenue	51,772	103,524	9,899	4,152	119,742	55,885	12,543	13,566	(26,505)	(24,133)	167,451	152,994
Other geographical information:												
Segment assets	201,935	203,923	14,970	12,604	11,507	9,745	9,630	4,637	-	-	238,042	230,909
Capital Expenditure	8,184	11,762	1,578	595	-	-	508	106	-	-	10,270	12,463
Depreciation	7,837	7,464	1,922	1,949	-	-	673	546	-	-	10,432	9,959
Impairement Losses	-	1,027	-	-	-	-	-	-	-	-	-	1,027

36 SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the company acquired 4,613,000 of its own shares of no par value through purchases on the Singapore Stock Exchange. The shares are held as "treasury shares".

37 CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the year ended 31 December 2006 the following new or revised Singapore Financial Reporting Standards were adopted for the first time. The new or revised standards did not require any material modification of the measurement method or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements
FRS 16	Property, Plant and Equipment
FRS 19	Employee Benefits - Amendments relating to actuarial gains and losses, group plans and disclosures
FRS 21	The Effects of Changes in Foreign Exchange Rates - Amendments relating to net investment in a foreign operation
FRS 24	Related Party Disclosures
FRS 32	Financial Instruments: Disclosure and Presentation
FRS 37	Provisions, Contingent Liabilities and Contingent Assets
FRS 38	Intangible Assets
FRS 39	Financial Instruments: Recognition and Measurement -
	Amendments relating to cash flow hedge accounting of forecast intragroup transactions Amendments relating to financial guarantee contracts
FRS 101	First-time Adoption of Financial Reporting Standards - Amendments relating to comparative disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources
FRS 101	Implementation Guidance
FRS 104	Insurance Contracts (*)
FRS 104	Implementation Guidance (*)
FRS 106	Exploration for and Evaluation of Mineral Resources (*)
INT FRS 104	Determining whether an Arrangement contains a Lease
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (*)
INT FRS 108	Scope of FRS 102 (*)
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

(*) Not relevant to the entity.

Amendments to FRS 39 relating to financial guarantee contracts:

The amendments require financial guarantee contracts be recognised and measured initially at fair values, and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies. The changes introduced by these amendments are applied by the company with effect from the beginning of the comparative reporting period presented in the financial statements (that is, with effect from 1 January, 2005). Financial guarantee contracts are now recognised and measured accordingly. The impact of this change in accounting policy in the consolidated financial statements is not material and hence no adjustment has been made.

38 FUTURE CHANGES IN ACCOUNTING STANDARDS

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to have a material impact on the financial statements.

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	Presentation of Financial Statements - Amendments relating to capital disclosures	1.1.2007
FRS 10	Events after the Balance Sheet Date	1.1.2007
FRS 12	Income Taxes	1.1.2007
FRS 14	Segment Reporting	1.1.2007
FRS 17	Leases	1.1.2007
FRS 19	Employee Benefits	1.1.2007
FRS 32	Financial Instruments: Presentation	1.1.2007
FRS 33	Earnings per Share	1.1.2007
FRS 39	Financial Instruments: Recognition and Measurement	1.1.2007
FRS 39	Implementation Guidance	1.1.2007
FRS 40	Investment Property	1.1.2007
FRS 101	First-time Adoption of Financial Reporting Standards (*)	1.1.2007
FRS 101	Implementation Guidance (*)	1.1.2007
FRS 102	Share-based Payment	1.1.2007
FRS 103	Business Combinations	1.1.2007
FRS 104	Insurance Contracts (*)	1.1.2007
FRS 104	Implementation Guidance - Revisions relating to FRS 107 Financial Instruments: Disclosures (*)	1.1.2007
FRS 107	Financial Instruments: Disclosures - Implementation Guidance	1.1.2007
FRS 108	Operating Segments	1.1.2009
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)	1.1.2007
INT FRS 111	FRS102 - Group and Treasury Share Transactions	1.3.2007
INT FRS 112	Service Concessions Arrangements (*)	1.1.2008

(*) Not relevant to the entity.

SUPPLEMENTARY FINANCIAL INFORMATION DISCLOSURES

REQUIRED BY SGX-ST LISTING MANUAL

1. INTERESTED PERSON TRANSACTIONS

As required by Rule 907 of the SGX-ST Listing Manual, the details of the interested party transactions are as follows:

	Intergrated Manufacturing Technologies Pte Ltd	Integrated Manufacturing Technologies, Inc.	Total
	S$'000	S$'000	S$'000
Sales to IMT	-	(51)	(51)
Purchases of goods	-	-	-
Freight and handling charges	-	-	-
Factory requisition - toolings	-	-	-
Factory requisition - anodizing	-	-	-
Legal and professional fee	-	-	-
Subcontractor works	1,321	300	1,621
Packing Materials	-	-	-
Warehousing Charges	-	-	-
Donation Paid on behalf	-	-	-
Payment on behalf (Materials)	-	-	-
Payment on behalf (Others)	200	10	210
Advancement for vendor payment	-	-	-
Purchase of Plant & Equipment	-	-	-
Miscellaneous Work	-	-	-

Major contracts with directors

There were no major contracts with directors.

SUPPLEMENTARY INCOME STATEMENT - COMPANY

YEAR ENDED 31 DECEMBER 2006

2. PROPERTIES

As required by Rule 1207(10) of the SGX-ST Listing Manual, the description of properties held by the group are as follows:

Location	Description	Tenure	Net Book Value 2006 $'000	Net Book Value 2005 $'000
33 Changi South Avenue 2 Singapore 486445	Office cum factory building (partially tenanted)	30 +option 30 years lease commencing 1 May 1995 and ending on 30 April 2025	5,250	5,400
Lot 3655, 3656, 3657, MK, 13 Lorong Iks Juru 6, Kwa Perindustrian Ringan Juru, 14100 Simpang Ampat, Pulau Pinang, Malaysia	Office cum factory building	Freehold	3,315	3,319
23 Changi North Crescent Changi North Industrial Estate Singapore 499616	Office cum factory building	30 + 30 years lease commencing 16 August 1997 and ending 16 August 2057	6,022	5,734
25 Changi North Crescent Changi North Industrial Estate Singapore 499617	Office cum factory building (partially tenanted)	30 years lease commencing 1 February 2003 and ending 28 February 2033	3,671	4,283
27 Changi North Crescent Changi North Industrial Estate Singapore 499619	Office cum factory building	30 years lease commencing 16 April 2004 and ending 15 April 2034	4,255	4,009
Plot 3 District 1 Su Hong Road West Suzhou Industrial Park Suzhou, Jiangsu, PRC (215021)	Held for sale	50 years lease commencing 30 August 2002 and ending on 29 August 2052	4,124	4,066

SHAREHOLDINGS STATISTICS
AS AT 20 MARCH 2007

UMS HOLDINGS LIMITED
(Registration No: 200100340R)

Number of shares	386,022,600
Class of Equity Shares	Ordinary shares
Voting Rights	On show of hands : 1 vote for each member
	On a poll : 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	17	0.62	7,998	–
1,000 - 10,000	1,457	52.75	9,942,957	2.58
10,001 - 1,000,000	1,272	46.05	59,602,936	15.44
1,000,001 AND ABOVE	16	0.58	316,468,709	81.98
Total	2,762	100.00	386,022,600	100.00

Based on information provided to the Company as at 20 March 2007, approximately 38.36% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual is complied with.

TWENTY LARGEST SHAREHOLDERS AS AT 20 MARCH 2007

No.	Name	No. of Shares	%
1.	HSBC (SINGAPORE) NOMINEES PTE LTD	101,395,563	26.27
2.	LUONG ANDY	98,856,727	25.61
3.	UOB KAY HIAN PTE LTD	35,707,419	9.25
4.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	17,086,000	4.43
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	15,494,000	4.01
6.	UMS HOLDINGS LIMITED SHARE BUY-BACK A/C	11,716,000	3.04
7.	UNITED OVERSEAS BANK NOMINEES PTE LTD	10,191,000	2.64
8.	LIM & TAN SECURITIES PTE LTD	5,656,000	1.47
9.	DBS NOMINEES PTE LTD	5,572,000	1.44
10.	OCBC SECURITIES PRIVATE LTD	3,872,000	1.00
11.	RAFFLES NOMINEES PTE LTD	2,540,000	0.66
12.	PHILLIP SECURITIES PTE LTD	2,470,000	0.64
13.	KIM ENG SECURITIES PTE. LTD.	1,892,000	0.49
14.	DBS VICKERS SECURITIES (S) PTE LTD	1,694,000	0.44
15.	OCBC NOMINEES SINGAPORE PTE LTD	1,301,000	0.34
16.	MERRILL LYNCH (SINGAPORE) PTE LTD	1,025,000	0.27
17.	NG CHEOW BOO	970,000	0.25
18.	TAN POH GHEE	927,000	0.24
19.	CITIBANK CONSUMER NOMINEES PTE LTD	874,000	0.23
20.	CHAN YEOK PHENG	821,000	0.21
	TOTAL	320,060,709	82.93

SHAREHOLDINGS STATISTICS
AS AT 20 MARCH 2007

UMS HOLDINGS LIMITED
(Registration No: 200100340R)

SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2007

as recorded in the Register of Substantial Shareholders

Name of Substantial Shareholder	Number of shares registered in the name of substantial shareholder	Number of shares in which substantial shareholder is deemed to have an interest	Total	%
Luong Andy	104,028,727	-	104,028,727	26.95
Baring Asia II Holdings (13) Limited	-	54,045,563	54,045,563	14.00
Quest World Investment Limited	32,175,419	-	32,175,419	8.34
Arisaig ASEAN Fund Limited	47,200,000	-	47,200,000	12.23

NOTICE OF ANNUAL GENERAL MEETING

UMS HOLDINGS LIMITED
(Incorporated in Singapore) (Registration No: 200100340R)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at 23 Changi North Crescent, Singapore 499616 on Monday, 30 April 2007 at 2:00p.m. to transact the following businesses :

ORDINARY BUSINESS:

1. To receive and consider the Directors' Report and Audited Accounts for the financial year ended 31 December 2006 and the Auditors' Report thereon **Resolution 1**

2. To approve the payment of a final exempt (one-tier) dividend of 1.35 cents per ordinary share and a special exempt (one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 31 December 2006. **Resolution 2**

3. To re-elect Mr Lim How Teck, who is retiring by rotation in accordance with Article 95 of the Company's Articles of Association, as Director of the Company.

   [Mr Lim How Teck will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.] **Resolution 3**

4. To re-elect Mr Tan Tor Howe, who is retiring by rotation in accordance with Article 95 of the Company's Articles of Association, as Director of the Company.

   [Mr Tan Tor Howe will, upon re-election as a Director of the Company, remain as a member of the Audit Committee. Mr Tan Tor Howe, a Non-Executive Director, will not be considered independent for purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.] **Resolution 4**

5. To re-elect Mr Ho Sing, who is retiring by rotation in accordance with Article 96 of the Company's Articles of Association, as Director of the Company.

   [Mr Ho Sing will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of The Singapore Exchange Securities Trading Limited.] **Resolution 5**

6. To approve the payment of Directors' fees of S$177,583 for the financial year ended 31 December 2006. (FY2005: S$277,000) **Resolution 6**

7. To re-appoint Messrs RSM Chio Lim as Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS :

To consider, and if thought fit, to pass with or without any modifications, the following resolutions as Ordinary Resolution:-

8. **Ordinary Resolution: Authority to allot and issue shares up to fifty per centum (50%) of the issued shares in the capital of the Company**

   "That authority be and is hereby given to the Directors to:

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

UMS HOLDINGS LIMITED

(Incorporated in Singapore) (Registration No: 200100340R)

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued shares in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the issued shares in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for : -

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[Explanatory Note (i)] **Resolution 8**

9. **Ordinary Resolution : Authority to offer and grant options and /or grant awards and to allot and issue shares, pursuant to the UMS Share Option Scheme, the UMS Performance Share Plan and UMS Restricted Share Plan**

"That approval be and is hereby given to the Directors of the Company to:

(a) offer and grant options in accordance with the provisions of the UMS Share Option Scheme (the "Share Option Scheme") and/or to grant awards in accordance with the provisions of the UMS Performance Share Plan (the "Performance Share Plan") and/or the UMS Restricted Share Plan (the "Restricted Share Plan") (the Share Option Scheme, the Performance Share Plan and the Restricted Share Plan, together the "Share Plans"); and

(b) allot and issue from time to time such number of ordinary shares in capital of the Company as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan,

provided that the aggregate number of ordinary shares to be issued pursuant to the Share Plans shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time." [Explanatory Note (ii)]

Resolution 9

NOTICE OF ANNUAL GENERAL MEETING

UMS HOLDINGS LIMITED

(Incorporated in Singapore) (Registration No: 200100340R)

10. To transact any other business which may be properly transacted at an Annual General Meeting. **Resolution 10**

Explanatory Notes:

(i) Resolution 8 is to authorize the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50% of the issued shares in the capital of the Company, with a sub-limit of 20% for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time that Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed, and (b) any subsequent consolidation or subdivision of shares.

(ii) The Norelco Share Option Scheme, the Norelco Performance Share Plan and the Norelco Restricted Share Plan shall be known as the UMS Share Option Scheme, the UMS Performance Share Plan and the UMS Restricted Share Plan respectively, with effect from the change of the Company's name on 12 March 2007.

Resolution 9 is to authorise the Directors of the Company to offer and grant options and/or grant awards and to issue ordinary shares in the capital of the Company pursuant to the UMS Share Option Scheme, UMS Performance Share Plan and UMS Restricted Share Plan (collectively the "Share Plans"). Approval for adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company on 18 April 2006. The grant of options and awards under the respective Share Plans will be made in accordance with their respective provisions. The aggregate number of ordinary shares which may be issued pursuant to the Share Plans is limited to 15% of the total number of issued shares in the capital of the Company.

NOTICE OF ANNUAL GENERAL MEETING

UMS HOLDINGS LIMITED
(Incorporated in Singapore) (Registration No: 200100340R)

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 14 May 2007, for the purpose of determining members' entitlements to the final exempt (one-tier) dividend and the special exempt (one-tier) dividend (the "Final and Special Dividends") to be proposed at the Annual General Meeting of the Company to be held on 30 April 2007.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5:00 p.m. on 11 May 2007 by the Company's Share Registrar, Lim Associates (Pte) Ltd, 3 Church Street #08-01 Samsung Hub Singapore 049483 will be registered to determine members' entitlements to the Final and Special Dividends. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares in the Company as at 5:00 p.m. on 11 May 2007 will be entitled to such proposed Final and Special Dividends.

The proposed Final and Special Dividends, if approved at the Annual General Meeting will be paid on 28 May 2007.

BY ORDER OF THE BOARD

Low Mei Mei Maureen
Company Secretary

Singapore: 12 April 2007

Notes:
1. A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

3. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorized.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 23 Changi North Crescent, Singapore 499616 not less than 48 hours before the time set for the Annual General Meeting.

IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

UMS HOLDINGS LIMITED

(Incorporated in Singapore) (Registration No: 200100340R)

I/We ____

of ____

being a member/members of UMS Holdings Limited) (the "Company") hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 23 Changi North Crescent Singapore 499616 on Monday, 30 April 2007 at 2:00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1	To receive and consider Directors' and Auditors' Reports and Audited Accounts		
2	To approve payment of a final exempt (one-tier) dividend and a special exempt (one-tier) dividend		
3	To re-elect Mr Lim How Teck as Director		
4	To re-elect Mr Tan Tor Howe as Director		
5	To re-elect Mr Ho Sing as Director		
6	To approve directors' fees for the year ended 31 December 2006		
7.	To re-appoint Auditors and authorise the directors to fix their remuneration		
	SPECIAL BUSINESS		
8.	To authorise the directors to allot and issue shares		
9.	To authorise the directors to offer and grant options and/or grant awards and to allot and issue shares, pursuant to the UMS Share Option Scheme, UMS Performance Share Plan and UMS Restricted Share Plan		

Dated this ____________ day of ____________ 2007

Total number of Shares held

____

Signature(s) of member(s) or common seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

NOTES :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50.

6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 23 Changi North Crescent, Singapore 499616 not less than 48 hours before the time set for the Annual General Meeting.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.


UMS

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