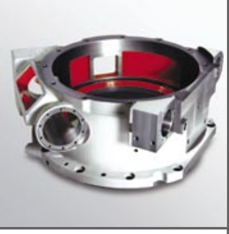
Expanding Our Reach

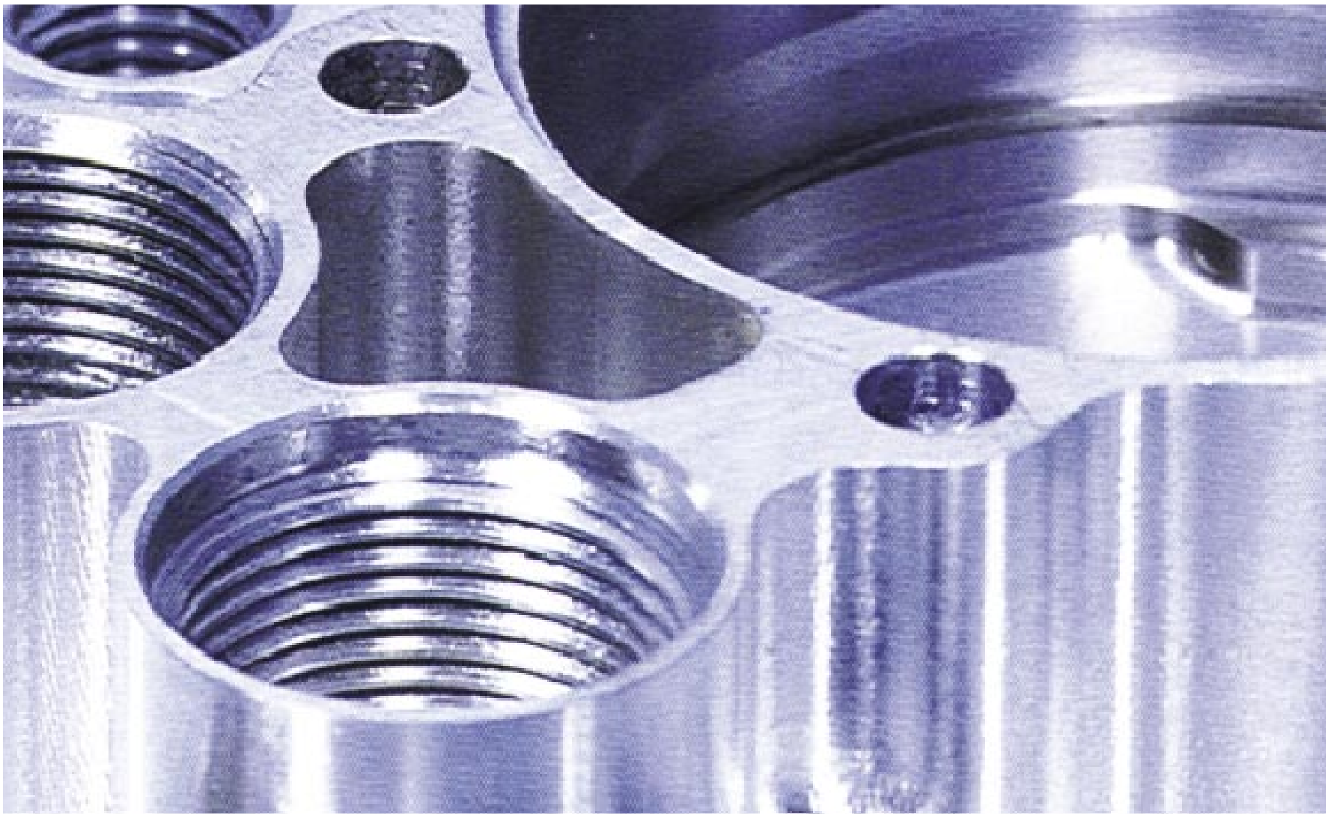
Annual Report 2007

UMS GROUP

www.umsgroup.com.sg



Contents



Corporate Information

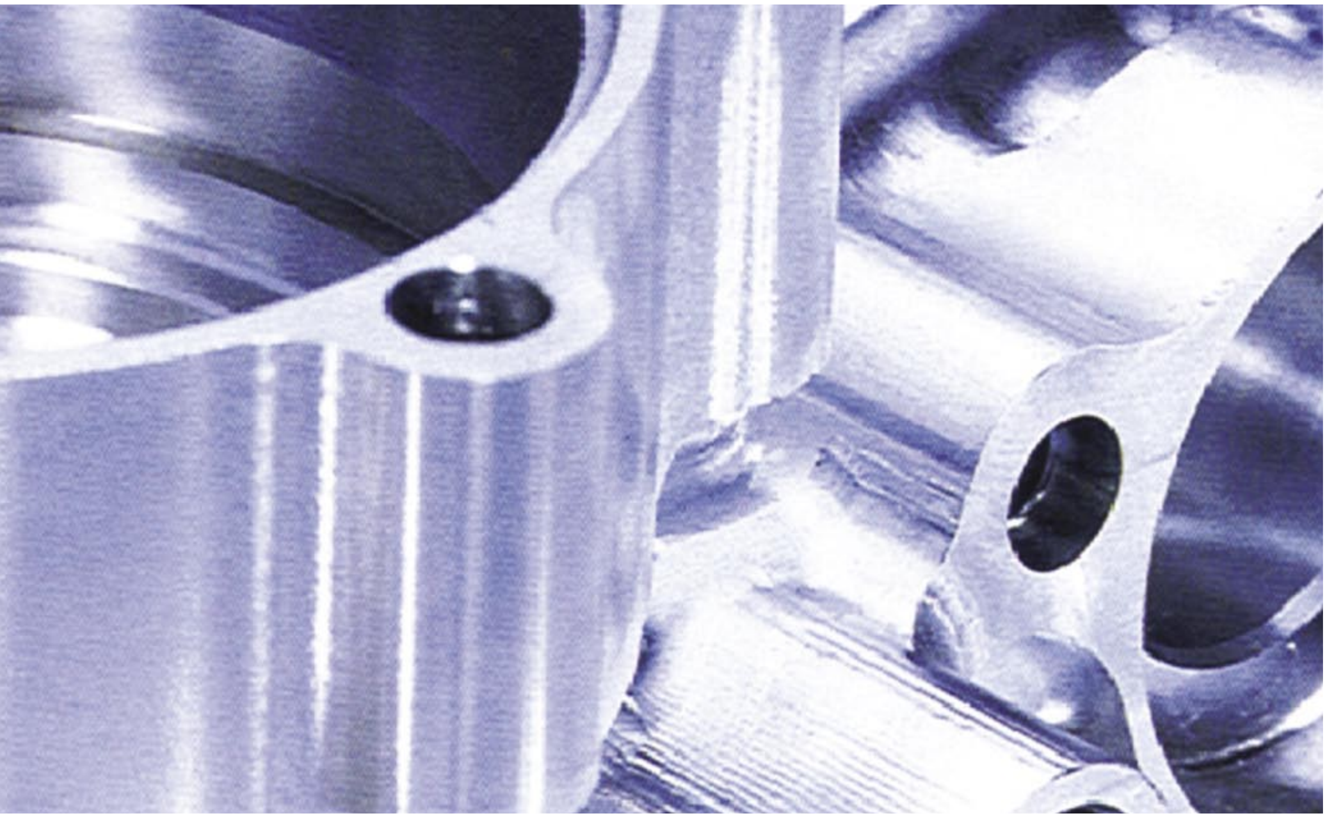
Registered Office
23 Changi North Crescent
Changi North Industrial Estate
Singapore 499616
Tel: (65) 6543 2272 **Fax:** (65) 6542 9979
Website: www.umsgroup.com.sg

Independent Auditors
Moore Stephens
Certified Public Accountants
11 Collyer Quay, #10-02, The Arcade,
Singapore 049317
Partner-in-charge: Christopher Bruce Johnson
(Appointed in November 2007)

Share Registrar
Boardroom Corporate and
Advisory Services 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 Secretary
Ms Shirley Lim Guat Hua (ACIS)
Complete Corporate Services Pte Ltd
11 Collyer Quay #10-04 The Arcade
Singapore 049317



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 Holdings Ltd. and UMS Semiconductor Pte. Ltd.

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.

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 ASEAN Fund Ltd. and Baring Asia II Holding (13) Ltd. to take substantial stakes in the company.

Chairman and CEO Statement

"We have a good platform from which to improve our performance in 2008."

Soh Gim Teik (Mr.)
Chairman
UMS Holdings Limited

Dear Shareholders

FY2007 was a significant year for UMS Holdings. We have expanded our core businesses into new ventures in aerospace and oil and gas as well as a nascent entry into solar renewable energy. We did this by leveraging on our core competencies in the manufacturing of mission-critical high precision components, and complex electromechanical assembly and final testing.

Our new US$20-million, 80,000-square foot facility in 25 Changi North Rise was officially opened on 21 February 2008. It is already fully booked with new contracts from major oil and gas players such as Schlumberger for the next three years. We showcased our new aerospace business capabilities at the recent Singapore Airshow 2008 where we attracted the attention of large global aerospace players such as Rolls Royce, Boeing, and Pratt & Whitney.

We have also commenced construction of our new Penang campus to accommodate our semiconductor manufacturing orders. The campus is due to be completed and up for production by FY2009.

This venture into the aerospace industry is in line with the Group's strategy to have a diversified portfolio of businesses.

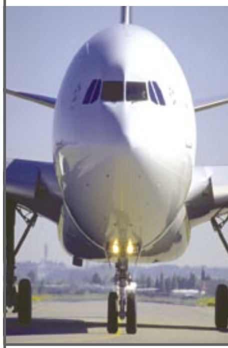
FINANCIAL PERFORMANCE

The Group remained profitable in a year that saw a succession of economic setbacks and volatility in the global semiconductor industry. We registered a net profit of S$12.1 million on a lower revenue of S$138.2 million in FY2007.

Net profit for FY2007 was lower by 50% compared to previous corresponding period mainly due to the absence of a one-time gain of S$9.9 million from the disposal of the Group's recycling business, and a S$6.4 million loss incurred in forward contracts as well as the foreign exchange differences from a weaker US dollar. This is mitigated by a write-back of deferred income in FY2006.

The revenue decline of 17% in FY2007 was largely attributed to reduced contributions arising from the continuing weakness in the global semiconductor industry.

Despite the lower revenue, the Group enjoyed higher gross material margins, which rose to 55% in FY2007 from 47% in FY2006. This was attributed to the changing product mix in the semiconductor segment. Improvements in profit margins were also recorded in the CEM segment with the introduction of new products.



Andy Luong (Mr.)
Chief Executive Officer
UMS Holdings Limited

The Group had a cash and cash equivalent of S$21.3 million for FY2007, down from S$37.2 million in the previous corresponding period. This is primarily due to the use of funds for our aerospace, oil and gas, and solar and renewable energy businesses. During the year, the Group increased its capital expenditure for the building of the Group's new UMS Aerospace facility in Singapore, and its new manufacturing campus in Penang.

Our earnings per share for year ended FY2007 softened to 3.21 cents from 6.27 cents in FY2006. Our net assets value per share was 51.03 cents in FY2007 compared to 53.37 cents in FY2006. It was largely attributed to dividend payment and share buy-back which amounted to S$8.7 million and S$4.8 million respectively. At the same time, total number of shares increased in respect of the option exercised by Applied Materials.

PERFORMANCE BY BUSINESS SEGMENTS

The Group's core business, semiconductor remained profitable despite softer sales. Revenue from the semiconductor business stood at S$109.8 million, or 80% of the Group's total revenue for FY2007, down from S$134.2 million in FY2006. The lower revenue reflected the overall softening of the global semiconductor industry.

CEM revenue for FY2007 also eased to S$28.4 million against S$33.2 million in FY2006 due to weaker orders from the HDD (hard disk drive) industry.

PERFORMANCE BY GEOGRAPHICAL MARKETS

Geographically, the United States continues to contribute the bulk of the Group's revenue, or 72%. In FY2007, it contributed S$99.6 million, less 15.9% compared year-on-year with S$118.4 million in FY2006 owing to the global slowdown in the semiconductor industry. However, revenue contribution from China and other regions rose 7.6% to S$12.6 million in FY2007 compared to S$11.7 million in the previous corresponding period.

The revenue contribution from Singapore had dipped by 29.7% to S$21.3 million from S$30.3 million in the FY2006, owing to the weaker orders from HDD (hard disk drive) industry. We are currently in the midst of committing our focus in Singapore to produce more high-end products for the oil and gas industry.

PROSPECTS/GOING FORWARD

Going forward, the Group is poised to benefit from its new business forays. Our UMS Aerospace facility at Changi is now ready to take on contracts for global aerospace companies and we will continue to secure more contracts in the oil and gas sector – especially with the soaring oil prices and the frantic pace of Exploration and Production (E&P) projects.

We had already made nascent entry into the renewable energy sector with our Penang plant qualified by a Canadian solar energy giant for the production of solar chambers. With a strong track record in semiconductor manufacturing, we will continue to further strengthen our foothold in the solar business, making it another pillar of growth for the Group.

While the global semiconductor industry's visibility in the next 12 months remain unclear, that will not stop us from extending our Merge-In Transit (MIT) System Integration projects to take on bigger value projects with better margins. We will continue to work hard to improve our CEM business as well.

Barring any unforeseen circumstances, the Group will remain profitable in FY2008. We are heading into exciting and probably good times ahead. The diversification certainly is a step in the correct direction.

REWARDING SHAREHOLDERS

UMS has been paying good dividends year after year as it wants to share the company's profit with its shareholders for their support and their trust in the Group. We paid out a total of S$17.8 million dividends to shareholders in the last three years. The Board has proposed a final dividend of one cent per share (with a one-tier tax exemption) for FY2007.

STRENGTHENING THE BOARD OF DIRECTORS

On behalf of the Board, the company would like to welcome the following:

- Mr. Soh Gim Teik joined us as Non-Executive Chairman and Independent Director with effect from 15 February 2008. Mr. Soh is currently the Chief Financial Officer of Sincere Watch Limited and was awarded the CFO of the Year in 2006.
- Mr. N. Sreenivasan as Independent Director to the Board with effect from 1 March 2008. Mr. Sreenivasan has been actively pursuing law for the past 21 years, and is currently the managing director of Straits Law Practice LLC.
- Mr. Oh Kean Shen replaced Mr. Tan Beng Hai as Independent Director to the Board with effect from 20 September 2007. He is Vice President of the Kenanga Investment Bank Berhad (Penang Branch), providing professional investment management services to corporate clients.

ACKNOWLEDGEMENT AND APPRECIATION

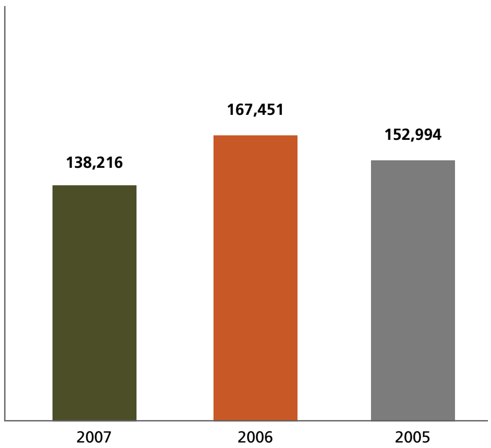
Finally, on behalf of the Board and staff of UMS Holdings Ltd., we would like to extend our thanks and appreciation to our shareholders, customers and business associates for their continued support and commitment towards the Group.

1. Soh Gim Teik (Mr.)
Chairman
UMS Holdings Limited

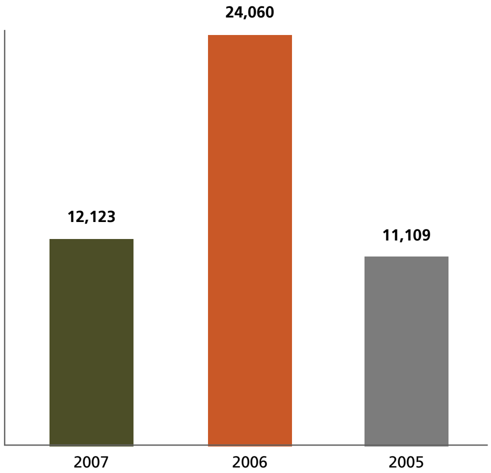
2. Andy Luong (Mr.)
Chief Executive Officer
UMS Holdings Limited

Financial Highlights

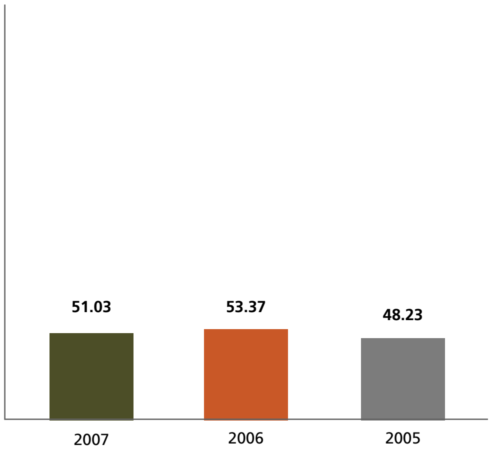
Revenue (in S$'000)



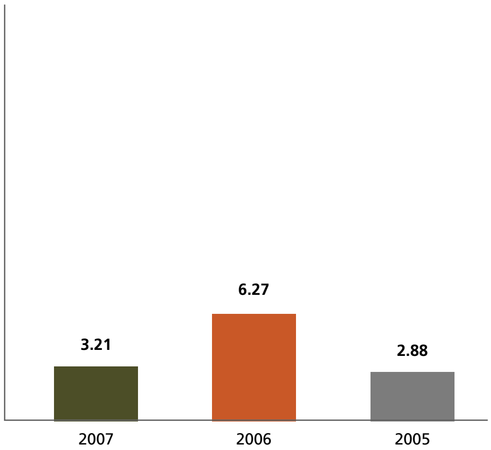
Net Profit (in S$'000)



NAV Per Share (in cents)



Basic Earnings Per Share (in cents)



It has been a year of continued profitability despite the impact of the slowdown of the semiconductor industry.

While the signs of a recovery of the global semiconductor industry are still unclear, we have taken various steps to beef up our manufacturing performance, expand our customer base and enhance our growth in 2008.

2007 has been a year of continued profitability despite the impact of the slowdown in the semiconductor industry. The Group posted modest growth in the fourth quarter of the year reversing a slowdown in business activities in the first three quarters of FY2007.

While the signs of a recovery of the global semiconductor industry are still unclear, we have taken various steps to beef up our manufacturing capability and performance, expand our clientele base and enhance our growth in 2008.

Review of Semiconductor Business:

The semiconductor segment contributed S$109.8 million, or 80%, to the Group's total revenue of S$138.2 million in FY2007. This is 18.2% lower than what was contributed in FY2006.

While the semiconductor industry remained soft, we were able to improve on our margins due primarily to changing product mix. In the meantime, we focused on building our core competencies to secure more System Integration projects.

Review of CEM Business:

Our Contract Equipment Manufacturing (CEM) business segment accounted for the remaining 20%, or S$28.4 million, of the Group's revenue. Revenue was 14.6% lower than in FY2006 because of weaker orders from the HDD (hard disk drive) industry.

We will continue to work hard to enhance the performance of this business by leveraging on our core CEM competencies to serve new customers.

Expansion of New Businesses:

We made strides in our foray into new high-growth sectors such as aerospace, oil and gas, and solar and renewable energy.

Oil and Gas

As at August 2007, we have already secured orders worth US$20 million from major global oil and gas players such as Schlumberger for the next three years. We will continue to secure more longer-term contracts to grow this business and to provide us with more stable income.

Operations Review

With the rising oil prices and the increasing demand of Exploration and Production (E&P) activities in Asia, we anticipate a bright outlook for our services for the Oil and Gas sector.

Aerospace

Our aerospace efforts took off.

Our US$20-million factory in 25 Changi North Rise was completed ahead of schedule in January 2008, and was officially opened on 21 February 2008.

The 80,000-square foot plant is earmarked to manufacture specific, critical, and high-precision components for customers who are in the aerospace and oil and gas businesses.

To showcase our capabilities in the aerospace sector, we held our maiden exhibition at the inaugural Singapore Airshow in February 2008, where we seized the opportunity to market to global Aerospace players such as Boeing, Rolls Royce, and Pratt & Whitney.

The local aerospace industry appears to be a significant contributor to the Singapore economy, with a workforce of over 19,000 workers and an output contribution of S$6.9 billion of output to the economy – a 10.4 per cent increase over 2006. Asia will also continue to grow its activities in Maintenance, Repairs, and Overhauls (MRO). Singapore anticipates a doubling in aerospace revenue to the local economy by 2018. We aim to ride on the bright prospects to accelerate our expansion in the aerospace business.

Solar and Renewable Energy

Leveraging on our established track record and strong core competencies in the semiconductor industry, we forged ahead with our plans to expand into the renewable solar energy sector.

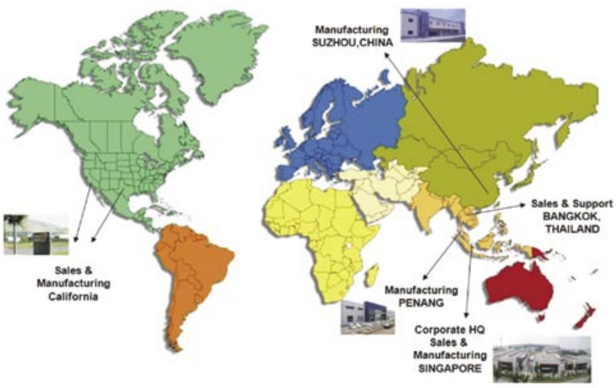
Our concerted efforts in this area have borne fruit. Our Penang facility has already been qualified by a Canadian solar energy giant for the production of solar chambers.

Our prospects in this field look promising. The global solar industry has been growing at up to 40 per cent annually over the past decade, and is expected to keep growing. The government also recently proposed a Solar Capability Scheme worth S$20 million to encourage businesses to diversify their energy sources. These positive trends augur well for us.

Review of Geographical Markets:

SINGAPORE:

Revenue from Singapore's operations had decreased 29.7%, from S$30.3 million in FY2006 to S$21.3 million in FY2007. This was primarily due to weaker orders from the HDD industry. We are currently in the midst of committing our Singapore market to produce more high-end products and projects, particularly in Aerospace and Oil and Gas.



UNITED STATES:

Our US market continued to make up the bulk of the Group's revenue. Owing to the global slowdown in the semiconductor industry, it contributed S$99.6 million in FY2007, which was 15.9% lower than the previous corresponding period.

The outlook for the US market remains soft, but we will focus on growing our higher value Systems Integration projects with our major customers.

MALAYSIA:

Our Malaysian operations contributed a revenue of S$4.7 million in FY2007. This is 32.6% lower compared to the previous corresponding period, owing to the slowdown in the global semiconductor industry.

As earlier mentioned, we are expanding our scope of operations in Malaysia to include new businesses such as solar and renewable energy projects.

CHINA AND OTHER REGIONS:

Our operations in China and other regions rose 7.6% to S$12.6 million in FY2007, compared to S$11.7 million in the previous corresponding period.

2008 Outlook

While semiconductor and CEM continue to be our main revenue staples, we are making good progress in our new business segments especially the Oil and Gas sector, which will be new pillars of growth to ensure long-term sustainability for the Group.

Hence, barring any unforeseen circumstances, we expect to remain profitable in FY2008.

Board of Directors

1. Soh Gim Teik
Chairman

2. Andy Luong
Chief Executive Officer

3. Lim How Teck
Independent Director

4. Tan Tor Howe
Non-Executive Director

5. Ho Sing
Independent Director

6. Oh Kean Shen
Independent Director

7. N. Sreenivasan
Independent Director

1. Soh Gim Teik

Chairman

Mr. Soh Gim Teik joined us as Non-Executive Chairman and Independent Director with effect from 15 February 2008.

A Bachelor of Accountancy graduate from the University of Singapore, he has more than 29 years' experience in finance and management. He is currently the Chief Financial Officer of Sincere Watch Limited, and also serves as the Audit Committee Chairman of two other publicly listed companies in Singapore. He is a non-practising member of ICPAS and also the Chairman of the CFO Committee in ICPAS. Mr. Soh was previously in public accounting and was involved in audit, management consultancy, and judicial management work.

Mr. Soh has also won awards, including the inaugural CFO of the Year in 2006 under the Singapore Corporate Awards. The award was organized by The Business Times and supported by the Singapore Exchange (SGX).

2. Andy Luong

Chief Executive Officer

Mr. Andy Luong was appointed as Chief Executive Officer of the Company in January 2005.

Mr. Luong previously served as Chief Operating Officer of the Company since April 2004.

As President and Founder of the UMS Group, he has 20 years of experience in manufacturing front-end semicon components. He acquired his machining skills through his experience in 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.

Mr. Luong was also a finalist in the Ernst and Young Entrepreneur of the Year Award in 2006.

3. Lim How Teck

Independent Director

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.

4. Tan Tor Howe

Non-Executive Director

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

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. He is currently the Managing Director of Desco Technologies Pte Ltd, a manufacturer of compact camera modules. 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.

5. Ho Sing

Independent Director

Mr. Ho is an Independent Director of the Company. He is also a member of Nominating and Audit committees and Chairman of Remuneration committee.

Graduating from the University of Texas with a Bachelor of Science in Aerospace Engineering, Mr. Ho is currently the General Manager for International Investments in Guocoland. Before this appointment, he served in management positions in Singapore at Sembcorp Industries as Senior Vice President, Strategic Relations, and in MAE Engineering as President, 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.

6. Oh Kean Shen

Independent Director

Mr Oh Kean Shen was appointed as an Independent Director of the Company on 20 September 2007. He is also a member of the Nominating, Audit and Remuneration Committees.

He is Vice President of the Kenanga Investment Bank Berhad (Penang Branch), providing professional investment management services to corporate clients.

A graduate of the South Australian Institute of Technology with a Bachelor's degree in Mechanical Engineering, he had previously worked in North Malaya Engineering Sdn Bhd and Limbongan Batu Maung Sdn Bhd between 1980 and 2006.

7. N. Sreenivasan

Independent Director

Mr. N. Sreenivasan was appointed as an Independent Director of the Company on 1 March 2008.

Mr. Sreenivasan has 21 years of experience as a litigation lawyer, both in the Singapore Legal Service and in private practice. He is currently the Managing Director of Straits Law Practice LLC and is actively practising in the fields of corporate and commercial litigation.

A graduate of the National University of Singapore with an Honours' degree in Law, he is also a Fellow of the Chartered Institute of Arbitrators (UK) and of the Singapore Institute of Arbitrators. He has also served as Treasurer and Council Member of the Law Society, and as chairman of various committees. He currently chairs the Advocacy Committee of the Law Society. Mr. Sreenivasan is a Council member, Finance Commission member and Legal Commission member of the Singapore Red Cross Society and also serves on the Board and Audit Committee of the Singapore Heart Foundation.

Management Team

1. Andy Luong
Chief Executive Officer

2. Sylvia SY Lee Luong
Chief Operating Officer

3. Cheng Swee Ain
Financial Controller

1. **Andy Luong**
   Chief Executive Officer
   Mr Andy Luong was appointed as the Chief Executive Officer of the Company in January 2005. He previously served as the Chief Operating Officer of the Company since April 2004. He was the President and Founder of UMS. He currently holds 104,628,727 ordinary shares in UMS Holdings Limited.

   Mr Andy 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.

2. **Sylvia SY Lee Luong**
   Chief Operating Officer
   Mrs. Sylvia Luong was appointed the Group's Chief Operating Officer on 23 November 2007. Responsible for the daily operations of the Group, she has 20 years of experience in marketing and engineering. She began her career with Avantek, Inc. as an Engineering Assistant before joining Long's Manufacturing, Inc in 1989. Prior to the appointment as Chief Operating Officer, she was the Vice President of Sales & Marketing of the Group, and was responsible for managing the UMS Group's marketing and business development efforts.

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

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

4. Goh Kah Ling
Vice-President of
UMS Group

5. Kay Tan
Operations Director

6. Lok Horng Gee
Director of UMS
Corporate Quality

4. Goh Kah Ling

Vice-President of UMS Group

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

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

5. Kay Tan

Operations Director

Mr. Kay Tan was appointed the Operations Director of UMS Group in April 2007 to oversee the operational activities for UMS and its subsidiary in Fremont, California.

Mr. Tan brought with him 18 years of broad scope experience in the machining and assembly for high-tech equipment manufacturing industries and hands on experience in Project Management, Account Management Sales & Marketing.

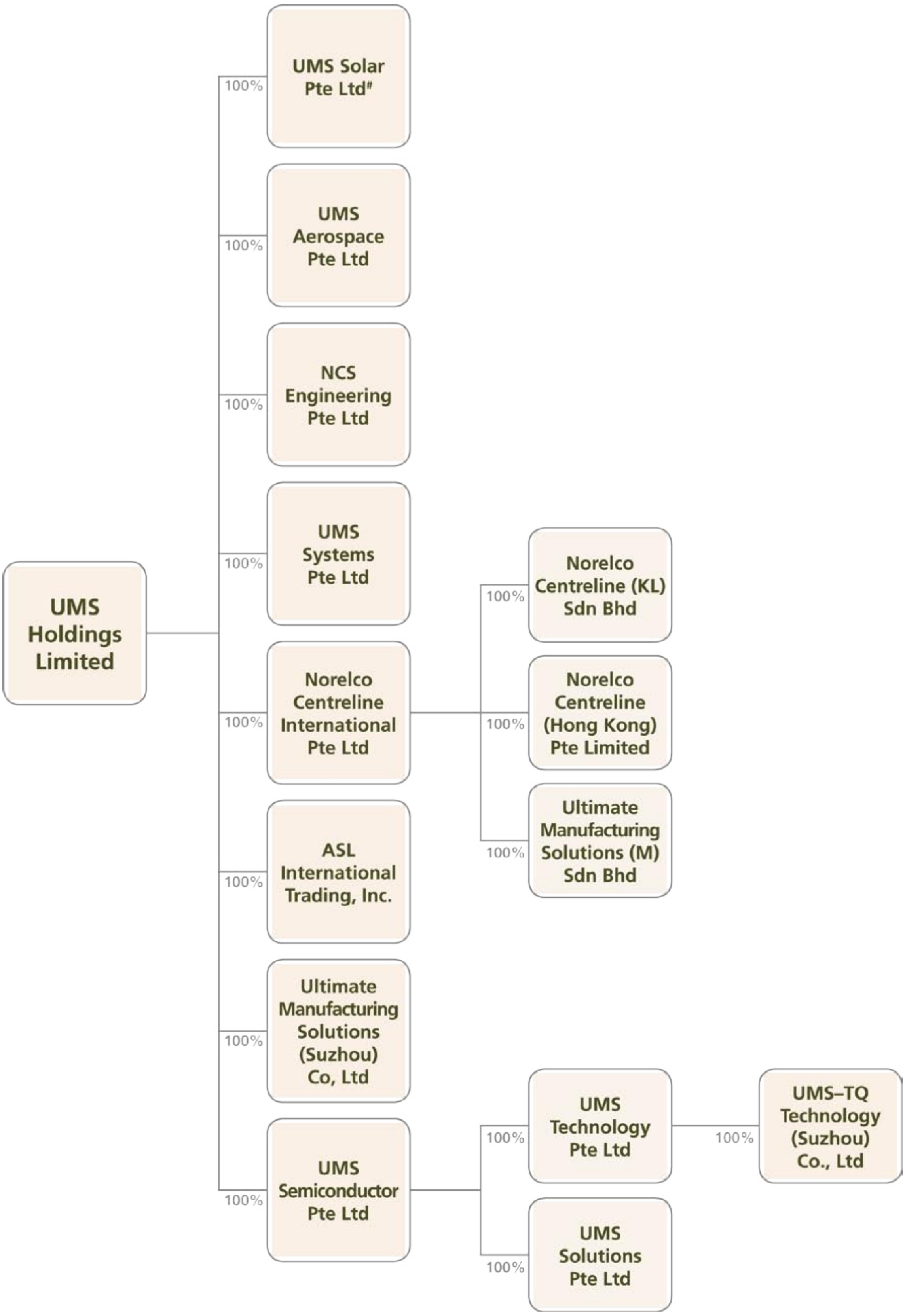
6. Lok Horng Gee

Director of UMS Corporate Quality

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.

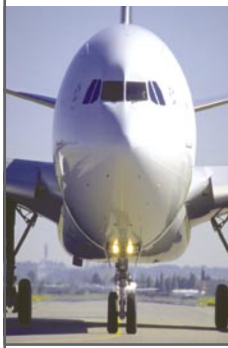
Before joining the Group, Mr. Lok was the Senior Director in the Quality and Reliability Engineering Division, and was subsequently responsible for managing the overall Desktop Business Unit at Maxtor Peripherals Singapore. He graduated from Curtin University of Technology in Perth, Western Australia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

Group Structure



Incorporated on 18 December 2007

Milestones



2008 Feb, Grand opening ceremony of Aerospace facility

2007 Entry into the renewable energy sector.

2007 Aug, Ground Breaking of Penang (Malaysia) facility.

2007 Entered into an exclusive contract with a major oil and gas company.

2007 Mar, Change of company name from Norelco UMS Holdings Limited to UMS Holdings Limited

2007 Jan, UMS Aerospace Pte. Ltd. obtained AS9100:2004 certification.

2006 Dec, Ground Breaking of a new 87,000ft^2 aerospace facility.

2006 Aug, Incorporated UMS Aerospace Pte. Ltd.

Announcement of US$20 million investment on new facility & equipment in aerospace industry.

2004 Merger with Norelco Centreline Holdings Limited to become Norelco-UMS Group.

1996 Started UMS in Singapore.

1984 Started Long's Manufacturing Inc. in US.

Corporate Offices

SINGAPORE

UMS Aerospace Pte Ltd
UMS Semiconductor Pte Ltd
UMS Solar Pte Ltd
UMS Solutions Pte Ltd
UMS Systems Pte Ltd
UMS Technology Pte Ltd
NCS Engineering Pte Ltd
Norelco Centreline International Pte Ltd
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Fax: (604) 502 3000
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Website: http://www.umsgroup.com.my

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Email: enquiries@umsgroup.com.cn
Website: http://www.umsgroup.com.cn

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Email: enquiries@umsgroup.com.cn
Website: http://www.umsgroup.com.cn

USA

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Email: enquiries@umsgroup.com.sg
Website: http://www.umsgroup.com.sg

Corporate Governance Report

The Board and Management of UMS Holdings Limited (the "Company") strongly believe that a genuine commitment to high standards of corporate governance is essential to stability and sustainability of the Group's performance. We believe excellence in corporate governance will enhance and safeguard the interest of all our stockholders and also form an integral element in the building of long-term shareholders' value.

This report describes the Group'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 2007, the Group 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 2007, three are Independent Directors. Brief biographical details of each Director are set out below. The Board provides entrepreneurial leadership, set strategic aims, and ensures that the necessary financial and human resources are in place for the Group 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 Group'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;
- Approving the nominations of the Board Directors and appointments to the various Board committees; and
- Assuming the responsibility for overall corporate governance of the Group.

The Group 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:

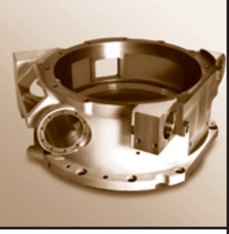
- Release of all results announcements and any other announcements;
- Group's annual budget;
- Appointment of directors and key personnel;
- Group's corporate and strategic directions, key operational initiatives;
- Major funding and investment proposals;
- Merger and acquisition transactions;
- Declaration 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.

To ensure smooth and effective running of the Group and to facilitate decision making, the Board has established various committees to assist it in the discharge of its responsibilities. These committees operate under clearly defined terms of reference, which are headed by Independent Directors. The three committees are:

- Audit Committee ("AC")
- Nominating Committee ("NC")
- Remuneration Committee ("RC")

The Board meets regularly at least four times a year, to coincide with the announcement of the Group's quarterly results. Ad-hoc Board meetings are also convened as and when deemed necessary by the Board to address any specific or 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 five 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 2007 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 +	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Lim How Teck # *	5	5	8	8	2	2	3	3
Mr. Tan Tor Howe #	5	5	8	7	2	2	3	3
Mr. Ho Sing # *	5	5	8	4	N.A.	N.A.	3	1
Mr. Tan Beng Hai # * Resigned on 10 Aug 2007)	5	4	8	7	2	1	3	2
Mr. Oh Kean Shen # * (Appointed on 20 Sept 2007)	5	1	8	1	2	1	3	1

+ Executive Director
 # Non Executive Director
** Independent Director*

On 15 February 2008, Mr. Luong Andy has stepped down as the company's chairman and Mr. Soh Gim Teik was appointed as a non-executive chairman of the Company.

On 1 March 2008, Mr. N.Sreenivasan was appointed as an independent Director of the Company.

To enhance the effectiveness of the Board, all Board members are kept informed of all the relevant new laws and regulations. Whenever a new Director is appointed on the Board, the Company ensures that he receives appropriate training to enable him to discharge his duties effectively.

The Company ensures that:

- A new Director receives a thorough orientation program which includes presentations by senior management staff of the various operations and corporate functions of the Group, this would help them familiarize with the business and organization structure as well as the governance practices of the Group;
- Briefings by the Chairman and Chief Executive Officer ("CEO") are conducted;
- They are 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-site visits to the various places of operations, both locally and overseas are also made available, if necessary; and
- Ongoing and continuous training program include participation at seminars and talks delivered by Professionals on relevant subject fields for example, corporate governance, board evaluation and amendments to the Companies Act.

Board Composition and Balance – Principle 2

As at 31 December 2007, 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. Non Executive Directors of the Company assist the Chairman to fulfill his role by regularly assessing the effectiveness of the Board's processes and activities in meeting set objectives and corporate governance standards.

Three Directors out of the total Board of five Directors are independent; hence the Group believes the Board is effective and autonomous. 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 majority of non-executive and independent Directors would bring a broader view with independent judgement on issues for the Board's deliberations.

Corporate Governance Report

The Board has the requisite blend of expertise, skills and attributes to oversee the Company's business. Collectively, they have the core competencies in areas such as accounting or finance, business or management experience, industry knowledge, strategies planning experience and customers-based experience or knowledge, technology, and international affairs which provide valuable insights to the Group. The diverse mix of background and experience provides for effective direction for the Group in its mission to becoming a multinational group with a strong competitive edge in its business objectives. The Board considers its size as adequate and optimum to undertake the numerous tasks of setting strategy, establishing vision, mission and values, exercising accountability to shareholders and delegating authority to management after taking into account of the scope and nature of the operations of the Company.

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. During the year 2007, both the roles of Chairman and CEO were held by the same person, Mr. Luong Andy.

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 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 to the Board;
- Encourage constructive relations between the Non-Executive Directors and Executive Directors;
- Promote high standards of corporate governance.

As stated under the Code, the Company has also appointed 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 in the year 2006.

With effect from 15 February 2008, Mr. Luong Andy will handed over his chairmanship to the new Chairman, Mr. Soh Gim Teik. With this arrangement in place, the Company has adhered to the recommendation of the Code.

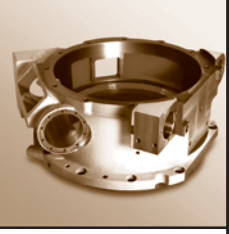
Board Membership – Principle 4

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 20 September 2007, Mr. Oh Kean Shen was appointed as a member of the NC to replace Mr. Tan Beng Hai who resigned on 10 August 2007. The present members of the NC and it's roles are as follows:

Name	Role in NC	Role In Board
Mr. Lim How Teck	Chairman	Independent and Non-Executive Director
Mr. Tan Tor Howe	Member	Non-Executive Director
Mr. Oh Kean Shen	Member (Appointed on 20 Sept 2007)	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 the 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 substantial shareholders of the Company and are independent of the substantial shareholders of the Company;
- The Board has a majority of Directors who are not 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.

Under the Articles of Association of the Company, Directors are required to retire at least once every three years. The NC assesses and recommends to the Board whether the retiring Directors are suitable for re-election. The NC considers that the multiple board representations held presently by some of the Directors do not impede their performance in carrying out their duties to the Company and in fact, enhances the performance of the Board as it broadens the range of the experience and knowledge of 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 Secretary. 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.

Corporate Governance Report

The Directors have separate and independent access to the Company's Secretary. The Company Secretary assists 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 administers, attends and prepares the minutes of all Board and Committee meetings and assists the Chairman in implementing and strengthening corporate governance practices and processes. The Company Secretary is also the primary channel of communication between the Company and the Stock Exchange.

The Company Secretary attends 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 Remuneration Committee ("RC") comprises the following Directors -:

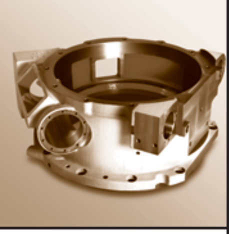
Name	Role in RC	Role In Board
Mr. Ho Sing	Chairman (Appointed on 20 Sept 2007)	Independent and Non-Executive Director
Mr. Tan Beng Hai	Chairman (Resigned on 10 Aug 2007)	Independent and Non-Executive Director
Mr. Lim How Teck	Member	Independent and Non-Executive Director
Mr. Tan Tor Howe	Member	Non-Executive Director
Mr. Oh Kean Shen	Member (Appointed on 20 Sept 2007)	Independent and Non-Executive Director

Mr. Ho Sing and Mr. Oh Kean Shen were appointed as Chairman and member of the RC respectively with effect from 20 September 2007 in place of Mr. Tan Beng Hai, who has resigned on 10 Aug 2007.

The RC members comprise entirely of Non-Executive Directors, a majority of whom including the Chairman are independent. The members of the RC have extensive experience in the formulation and implementation of wage 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 directors' 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 remuneration packages instead of Directors' fees. 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.

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. Non-Executive Directors are paid a basic fee and allowance for attending any additional meeting. An additional fee for serving as Chairman on any committee is also being paid to Non-Executive Directors. 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 9.1 Remuneration Details of the Directors

The remuneration of Directors for the year ended 31 December 2007 is set out below:

Name of Director	Salary %	Bonus %	Allowances %	Central Provident Fund Contribution %	Directors' Fees %	Total %
Non- Executive Directors						
Below S$250,000						
Mr. Lim How Teck	0%	0%	0%	0%	100%	100%
Mr. Tan Tor Howe	0%	0%	0%	0%	100%	100%
Mr. Ho Sing	0%	0%	0%	0%	100%	100%
Mr. Tan Beng Hai [1]	0%	0%	0%	0%	100%	100%
Mr. Oh Kean Shen	0%	0%	0%	0%	100%	100%
Executive Directors						
S$250,000 to S$499,999						
Mr. Luong Andy	81%	5%	12%	2%	0%	100%

1: Mr. Tan Beng Hai had resigned on 10 Aug 2007 (Pro-rated)

Corporate Governance Report

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

The breakdown remuneration of top 5 key executives (who are not Directors of the Company) in percentage terms for the year ended 31 December 2007 is set out below:

Name of Key Executive	Salary %	Allowances %	Bonus %	Central Provident Fund Contribution %	Total %
S$150,000 to S$250,000					
Sylvia SY Lee Luong[1]	89%	8%	0%	3%	100%
Cheng Swee Ain	89%	0%	6%	5%	100%
Chee Beng Teck Richard [2]	85%	11%	0%	4%	100%
Goh Kah Ling	75%	14%	8%	3%	100%
Below S$150,000					
Lok Horng Gee	84%	8%	3%	5%	100%

1: Ms. Sylvia SY Lee Luong is the wife of the Executive Director, Mr. Luong Andy.
2: Mr. Chee Beng Teck Richard had resigned on 30 October 2007.

During the financial year ended 31 December 2007, Ms. Sylvia SY Lee Luong and Mr. Andy Luong had received an amount of profit sharing as per set out in the profit sharing scheme which was approved by the Directors for the financial year ended 31 December 2006. This amount does not form part of the quantum in calculating the above remuneration percentage.

Other than as disclosed, there are no other key executives who are related to any Director and whose remuneration exceeds S$150,000.

On 15 March 2007, the Company has implemented the UMS Performance Share Plan and UMS Restricted Share Plan for both its employees and Directors. In total, 1,885,000 restricted share awards and 200,000 performance share awards were granted and both shares awards are equity-settled.

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 a balanced, understandable assessment of the Company's performance, position and prospect on a quarterly basis.

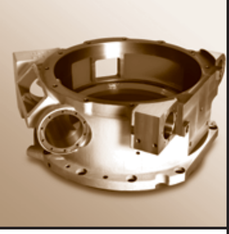
It is the Board's policy to provide the shareholders with all important and price sensitive information. These are done through the SGXNET during the quarterly announcements and as and when necessary.

Audit Committee – Principle 11

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

Name	Role in AC	Role In Board
Mr. Lim How Teck	Chairman	Independent and Non-Executive Director
Mr. Tan Tor Howe	Member	Non-Executive Director
Mr. Tan Beng Hai	Member (Resigned on 10 Aug 2007)	Independent and Non-Executive Director
Mr. Ho Sing	Member (Appointed on 21 Mar 2007)	Independent and Non-Executive Director
Mr. Oh Kean Shen	Member (Appointed on 20 Sept 2007)	Independent and Non-Executive Director

Mr. Oh Kean Shen was appointed as a member of the AC with effect from 20 September 2007 in place of Mr. Tan Beng Hai, who has resigned on 10 Aug 2007.



The roles and responsibilities of the AC are to:

- Recommend to the Board, the external independent auditor to be appointed and the remuneration and terms of engagement letter therein;
- Review with the internal auditors and external independent auditors, the audit plan, including the nature and scope of the audit and its cost effectiveness before the audit commences;
- Review with the internal auditors and external independent 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 independent auditors and ensuring that these do not affect the independence and objectivity of the external independent 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;

In the respect of the overall audit process, the AC has:-

- Provided an open avenue of communication between the external independent auditors, internal audit, management and the Board;
- Kept under review the scope and results to external audit, internal audit, risk management and compliance and their effectiveness and reported to the Board on any significant findings;

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 independent auditors, and with internal auditors, without the presence of the Company's management, at least once a year.

Internal Controls and internal audit – Principles 12 & 13

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 recognizes 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.

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 Group's internal auditors conduct review in accordance with the audit plans of the Group's key internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvement are reported to management and to the AC. The audit conducted by internal auditors will assist the AC in the assessment of and obtaining assurance on the adequacy, efficiency and effectiveness of the Group's internal control environment.

Corporate Governance Report

Finance Committee

The Board has established a Finance Committee with Mr. Lim How Teck as Chairman and three other Directors, namely Mr. Tan Tor Howe, Mr. Tan Beng Hai and Mr. Ho Sing as members. The committee comprises three independent Directors.

The purpose of the this committee is to support the Board to focus on internal control issues and issues related to implementation of the SAP systems and fast track the numerous issues raised by the internal auditors and external independent auditors.

During the year, Management had taken some remedial actions that were recommended by the internal and external auditors in order to enhance certain internal control procedures. However, some of the recommendations that require more resources and time are still under review for subsequent implementation. The committee will continuously review the effectiveness of the actions taken by Management on the recommendations made by the external independent auditors and internal auditors.

Communication with Shareholders – Principles 14 and 15

The Board's policy is that shareholders and the public should be equally and timely informed 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.

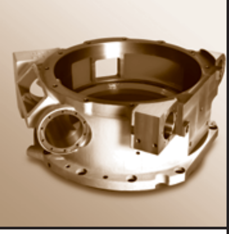
The Company communicates pertinent and timely information to its shareholders through:-

- Ensuring that the Company's annual reports which are prepared and issued to all shareholders contain all relevant information about the Group, including future developments and other disclosures required by the Companies Act and the Singapore Financial Reporting Standards;
- Announcement of quarterly, half-yearly and full years results on the Singapore Exchange Securities Trading Limited's SGXNET;
- Press releases on major developments of the Company; and
- Responding to all enquiries from investors, analysts, fund managers and the media through its Corporate Communications and Investor Relations department;
- Holding formal and informal media and analysts' briefings for the Group's half-year and full-year financial results, chaired by the CEO, as appropriate; and
- The Group's website at www.umsgroup.com.sg from which shareholders can access information about the Group including all publicly disclosed financial information, corporate announcements, news releases, annual reports and profiles of the Group.

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 selected 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 be 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.



DEALING IN SECURITIES

An internal Code on Dealings in Securities is also in place to prescribe the internal regulations pertaining to the securities of the Company and its listed subsidiaries. The code prohibits securities dealings by Directors and employees while in possession of price-sensitive information. All Directors and employees are also prohibited from dealing in the securities of the Company and its listed subsidiaries for a 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 its quarterly 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

The directors of the Company are pleased to present their report together with the audited financial statements of the Group for the financial year ended 31 December 2007, and the balance sheet of the Company as at 31 December 2007.

1 Directors

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

Mr Luong Andy	
Mr Ho Sing	*(Independent Director)*
Mr Lim How Teck	*(Independent Director)*
Mr Tan Tor Howe	*(Non-Executive Director)*
Mr Oh Kean Shen	*(Independent Director - Appointed on 20 September 2007)*
Mr Soh Gim Teik	*(Independent Director - Appointed on 15 February 2008)*
Mr N. Sreenivasan	*(Independent Director - Appointed on 1 March 2008)*

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares or 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	
	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
Name of Directors and Company				
UMS Holdings Limited (the Company)		Shares of no par value		
Mr Luong Andy	100,428,727	104,628,727	-	-
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 2008 were the same as those at the end of the year.

4 Directors' Contractual Benefits

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 with the director or with a related corporation or with a firm in which he is a member, or with a Company in which he has a substantial financial interest except as disclosed in the financial statements. Mr. N Sreenivasan, our independent director, is also a shareholder and director of Straits Law Practice LLC, a firm of advocates and solicitors that provides legal services to the Company for which fees are payable. It is not expected that such fees will exceed S$200,000 per annum.

Report of the Directors

5 Options to Take Up Unissued Shares

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
	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	Exercised	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, all options were exercised under the Replacement Option Agreement.

The Company issued 24,116,400 ordinary shares for which consideration has already been received. There were no further proceeds from the issuance 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 options to take up unissued shares except as mentioned in paragraph 5 above.

7 Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

8 Shares Outstanding

During the year, the Company set up UMS Performance Share Plan (PSP) and Restricted Share Plan (RSP) (collectively referred to as the "Scheme") for all employees and directors.

The Scheme is administered by the Remuneration Committee whose members are:

Ho Sing *(Chairman)*
Lim How Teck
Tan Tor Howe
Oh Kean Shen

Under the RSP, participants are granted rights to the Company's shares at the grant date provided that performance and extended service conditions as set out in the plan are met. Such performance conditions include divisional profit before tax and Group net profit after tax key performance indicators over a 1-year performance period from 1 January 2007 to 31 December 2007. Under the PSP, participants are granted rights to the Company's shares at the grant date provided that performance conditions as set out in the plan are met. Such performance conditions include absolute Total Shareholder Return and Return on Equity hurdles over a 3-year performance period.

On 15 March 2007, the Company granted 1,885,000 restricted share awards and 200,000 performance share awards to its employees and management staff. Management represented that all PSP and RSP share awards granted shall be settled by the issue of equity instruments.

Details of the share awards outstanding during the year are as follows:

Date of grant	Number of shares	Vesting date	Fair value S$
RSP:			
15 March 2007	628,333	1 April 2008	0.490
15 March 2007	628,333	1 April 2009	0.485
15 March 2007	628,334	1 April 2010	0.480
	1,885,000		
PSP:			
15 March 2007	200,000	1 April 2010	0.480
	2,085,000		

Report of the Directors

8 Shares Outstanding (cont'd)

The information on directors of the Company participating in the Scheme is as follows:

Name of director	Date of grant	Number of shares	Vesting date	Fair value S$
Mr Luong Andy	RSP:			
	15 March 2007	40,000	1 April 2008	0.490
	15 March 2007	40,000	1 April 2009	0.485
	15 March 2007	40,000	1 April 2010	0.480
		120,000		
	PSP:			
	15 March 2007	80,000	1 April 2010	0.480
		200,000		

9 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 Ho Sing
Mr Oh Kean Shen

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, Moore Stephens, be nominated for re-appointment as independent auditors at the next annual general meeting of the Company.

10 Independent Auditors

The independent auditors, Moore Stephens, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

LUONG ANDY

LIM HOW TECK

Singapore

Statement of Directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 32 to 74 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended.

(b) 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.

On behalf of the Board of Directors

LUONG ANDY

LIM HOW TECK

Singapore

Independent Auditors' Report

To the Members of UMS Holdings Limited (Registration No: 200100340R)

We have audited the accompanying financial statements of UMS Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 74, which comprise the balance sheets of the Group and the Company as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements for the previous year ended 31 December 2006 were audited by another firm of auditors who expressed an unqualified opinion on their report dated 12 March 2007.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards and the provisions of the Singapore Companies Act, Cap. 50 (the "Act"). This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use of disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statements and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' 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 as to whether the financial statements are free of 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 auditors' judgement, 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 auditors consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, 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 financial statements 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 the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group 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 auditors have been properly kept in accordance with the provisions of the Act.

Moore Stephens
Certified Public Accountants

Singapore

Consolidated Income Statement

For the Financial Year ended 31 December 2007

	Note	Group 2007 $'000	Group 2006 $'000
Revenue	4	138,216	167,451
Finance income	5	185	231
Finance expense	6	(6,799)	(1,659)
Changes in inventories		4,813	(9,250)
Raw material purchases and subcontractor charges		(67,272)	(80,002)
Employee benefits expense	7	(25,530)	(31,321)
Depreciation expense	17/19	(10,493)	(10,432)
Other expenses	8	(15,085)	(13,874)
Other (charges)/credits	9	(6,443)	4,434
Profit before income tax		11,592	25,578
Income tax credit/(expense)	10	531	(1,518)
Net profit for the year		12,123	24,060
Basic earnings per share	11	3.21 cents	6.27 cents
Diluted earnings per share	11	3.06 cents	5.90 cents
First and final exempt (one-tier) dividend paid	32	2.35 cents	1.25 cents

The accompanying notes form an integral part of the financial statements

Balance Sheets
As at 31 December 2007

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	12	21,356	37,174	540	1,443
Trade and other receivables	13	22,582	26,459	12,763	18,391
Inventories	15	29,988	25,175	-	-
		73,926	88,808	13,303	19,834
Assets classified as held for sale	14	10,702	4,124	-	-
Total Current Assets		84,628	92,932	13,303	19,834
Non-Current Assets					
Investments in subsidiaries	16	-	-	138,985	138,888
Property, plant and equipment	17	72,434	59,944	-	-
Available-for-sale investment	18	5,041	-	-	-
Investment property	19	3,535	3,671	-	-
Club membership	20	53	-	-	-
Goodwill	21	81,495	81,495	-	-
Other long-term loan receivable	22	-	-	1,865	8,639
Total Non-Current Assets		162,558	145,110	140,850	147,527
Total Assets		247,186	238,042	154,153	167,361
LIABILITIES AND EQUITY					
Current Liabilities					
Short-term borrowings	23	-	4,593	-	-
Trade and other payables	24	39,899	21,217	3,108	2,771
Income tax payable		60	458	10	237
Current portion of long-term borrowings	26	1,934	2,415	267	748
Current portion of finance lease obligation	27	8	8	-	-
Total Current Liabilities		41,901	28,691	3,385	3,756
Non-Current Liabilities					
Deferred tax	10	2,995	3,672	-	-
Long-term borrowings	26	278	2,236	-	292
Finance lease obligation	27	4	12	-	-
Long-term provision	28	1,200	1,200	-	-
Total Non-Current Liabilities		4,477	7,120	-	292
Total Liabilities		46,378	35,811	3,385	4,048
Capital and Reserves					
Share capital	29	155,981	136,989	155,981	136,989
Treasury shares	29	(7,883)	(3,105)	(7,883)	(3,105)
Reserves	31	(203)	18,838	124	18,992
Retained earnings		52,913	49,509	2,546	10,437
Total Equity		200,808	202,231	150,768	163,313
Total Liabilities and Equity		247,186	238,042	154,153	167,361

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

For the Financial Year ended 31 December 2007

	Share Capital S$'000	Treasury Shares S$'000	Capital Reserve S$'000	Statutory Reserve S$'000	Foreign Exchange Translation Reserve S$'000	Retained Earnings S$'000	Total S$'000
Group							
2007							
Balance at 1 January 2007	136,989	(3,105)	18,992	145	(299)	49,509	202,231
Foreign currency translation differences	-	-	-	-	(105)	-	(105)
Loss recognised directly in equity	-	-	-	-	(105)	-	(105)
Net profit for the year	-	-	-	-	-	12,123	12,123
Income/ (loss) recognised for the year	-	-	-	-	(105)	12,123	12,018
Issuance of 24,116,400 ordinary shares upon exercise of options	18,992	-	(18,992)	-	-	-	-
Share-based payments granted to employees	-	-	56	-	-	-	56
Purchase of treasury shares	-	(4,778)	-	-	-	-	(4,778)
Dividends paid of 2.35 cents per share (Note 32)	-	-	-	-	-	(8,719)	(8,719)
Balance at 31 December 2007	155,981	(7,883)	56	145	(404)	52,913	200,808
2006							
Balance at 1 January 2006	136,989	-	18,992	50	(218)	30,369	186,182
Transfer (Note 31)	-	-	-	95	-	(95)	-
Foreign currency translation differences	-	-	-	-	(81)	-	(81)
Income/ (loss) recognised directly in equity	-	-	-	95	(81)	(95)	(81)
Net profit for the year	-	-	-	-	-	24,060	24,060
Income/ (loss) recognised for the year	-	-	-	95	(81)	23,965	23,979
Purchase of treasury shares	-	(3,105)	-	-	-	-	(3,105)
Dividends paid of 1.25 cents per share (Note 32)	-	-	-	-	-	(4,825)	(4,825)
Balance at 31 December 2006	136,989	(3,105)	18,992	145	(299)	49,509	202,231

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity
For the Financial Year ended 31 December 2007

	Share capital S$'000	Treasury shares S$'000	Capital reserve S$'000	Retained earnings S$'000	Total S$'000
Company					
2007					
Balance at 1 January 2007	136,989	(3,105)	18,992	10,437	163,313
Net profit for the year	-	-	-	828	828
Income recognised for the year	-	-	-	828	828
Issuance of 24,116,400 ordinary shares upon exercise of options	18,992	-	(18,992)	-	-
Share options granted to employees	-	-	56	-	56
Corporate guarantee received from subsidiaries	-	-	68	-	68
Purchase of treasury shares	-	(4,778)	-	-	(4,778)
Dividends paid of 2.35 cents per share (Note 32)	-	-	-	(8,719)	(8,719)
Balance at 31 December 2007	155,981	(7,883)	124	2,546	150,768
2006					
Balance at 1 January 2006	136,989	-	18,992	5,886	161,867
Net profit for the year	-	-	-	9,376	9,376
Income recognised for the year	-	-	-	9,376	9,376
Purchase of treasury shares	-	(3,105)	-	-	(3,105)
Dividends paid of 1.25 cents per share (Note 32)	-	-	-	(4,825)	(4,825)
Balance at 31 December 2006	136,989	(3,105)	18,992	10,437	163,313

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flow Statement
For the Financial Year ended 31 December 2007

	Note	2007 $'000	2006 $'000
Cash Flows From Operating Activities			
Net profit before income tax		11,592	25,578
Adjustments for:			
Depreciation expense		10,493	10,432
Deferred income amortisation	25	-	(256)
Loss/(gain) on disposal of property, plant and equipment		371	(1,873)
Gain on disposal of recycling business		-	(11,990)
Interest income		(185)	(231)
Interest expense		350	742
Unrealised foreign exchange adjustment losses		5,979	3,416
Operating cash flows before working capital changes		28,600	25,818
Changes in operating assets and liabilities:			
Trade and other receivables		2,470	(2,657)
Inventories		(4,813)	9,249
Trade and other payables		2,019	(14)
Cash generated from operations		28,276	32,396
Income tax paid		(557)	(1,751)
Net cash generated from operating activities		27,719	30,645
Cash Flows From Investing Activities			
Disposal of property, plant and equipment		123	2,674
Purchase of property, plant and equipment (Note B)		(17,707)	(8,641)
Additions to investment property		-	(400)
Purchase of club membership		(53)	-
Proceeds from disposal of recycling business		-	14,651
Purchase of available-for-sale investment		(5,041)	-
Interest received		185	231
Net cash (used in)/generated from investing activities		(22,493)	8,515
Cash Flows From Financing Activities			
Repayment of borrowings		(6,955)	(7,117)
Dividends paid		(8,719)	(4,825)
Purchase of treasury shares		(4,778)	(3,105)
Repayment of finance lease obligation		(8)	(1,676)
Fixed deposit – restricted		(39)	5
Interest paid		(350)	(742)
Net cash used in financing activities		(20,849)	(17,460)
Net effect of exchange rate changes		(234)	(1,503)
Net (decrease)/increase in cash and cash equivalents		(15,857)	20,197
Cash and cash equivalents at beginning of year		37,084	16,887
Cash and cash equivalents at end of year (Note A)		21,227	37,084

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flow Statement

For the Financial Year ended 31 December 2007

A. Cash and Cash Equivalents

	Group 2007 S$'000	Group 2006 S$'000
Cash and cash equivalents	21,356	37,174
Restricted in use	(129)	(90)
Cash and cash equivalents	21,227	37,084

B. Property, Plant and Equipment

	Group 2007 S$'000	Group 2006 S$'000
Purchase of property, plant and equipment:		
Cost of property, plant and equipment purchased	29,752	9,870
Amounts unpaid at 31 December 2007	(12,045)	-
Amounts financed through finance lease	-	(29)
Provisions (Note 28)	-	(1,200)
Net cash disbursed	17,707	8,641

The accompanying notes form an integral part of the financial statements

1 General

UMS Holdings Limited (the "Company") is incorporated and domiciled in Singapore with limited liability and is listed on the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The controlling shareholder of the Company is Mr Andy Luong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

The registered office address and principal place of business of the Company is 23 Changi North Crescent, Singapore 499616.

The financial statements for the year ended 31 December 2007 were approved and authorised for issue by the board of directors on 31 March 2008.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50 and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year as follows:

Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures
FRS 40	Investment Properties
FRS 107	Financial Instruments: Disclosures
INT FRS 110	Interim Financial Reporting and Impairment

Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of these new or revised FRS and INT FRS did not result in any substantial changes to the Group's accounting policies.

FRS and INT FRS issued but not yet effective

The Group has not adopted the following FRS and INT FRS that have been issued but are not yet effective:

Revised FRS 23	Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
FRS 108	Operating Segments (effective for annual periods beginning on or after 1 January 2009)

Other than the change in disclosures relating to FRS 108, the initial application of these standards (and its consequential amendments) is not expected to have any material impact on the Group's financial statements.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

All significant intra-group balances, transactions, revenue and expenses and unrealised gains and losses resulting from intra-group transactions that are recognised in assets are eliminated on consolidation. Assets, liabilities and results of foreign subsidiaries are translated into Singapore dollar on the basis outlined in paragraph (x) (iii) below. The results of subsidiaries acquired or disposed of during the year are included in or excluded from the income statement from the date of their acquisition or disposal.

(c) Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of subsidiary over the fair value of the Group's share of their identifiable assets, liabilities and contingent liabilities, at the date of acquisition.

Goodwill on acquisition of a subsidiary is classified as goodwill on consolidation.

Following initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment loss on goodwill is not reversed in a subsequent period.

Gains and losses on disposal of the subsidiaries include the carrying amount of goodwill relating to the entity disposed.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and fixed deposits, less amounts pledged to secure banking facilities.

(e) Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

(f) 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 group) 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 and fair value less costs to sell.

2 Summary of Significant Accounting Policies (cont'd)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined primarily on the basis of moving average method. 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. 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.

(h) Investments in Subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(i) Property, Plant and Equipment

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

Depreciation is calculated on a straight-line method to write-off the cost of the assets over their estimated useful lives. The estimated useful lives have been taken as follows:

Freehold buildings	-	50 years
Leasehold properties	-	30 to 60 years or the term of the lease, whichever is shorter
Plant and equipment	-	3 to 10 years

No depreciation is charged for freehold land.

Subsequent expenditure relating to property, plant and equipment that has already been recognised, is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

The residual values, useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the item of property, plant and equipment.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement. Any amount in revaluation reserve relating to the asset is transferred to retained earnings directly.

When property, plant and equipment are revalued, any surplus on revaluation is credited to revaluation reserve. A decrease in net carrying amount arising from revaluation of property, plant and equipment is charged to the income statement to the extent that it exceeds any surplus held in revaluation reserve relating to a previous revaluation at the same class of assets.

(j) Available-for-Sale Investment

Available-for-sale financial assets are measured at transaction price (i.e., at cost) which represents the best estimate of fair value at initial recognition of a financial instrument that is not quoted in an active market.

Any gains or losses being recognised in the fair value reserve in the equity section until the investments are derecognised or until the investments are determined to be impaired at which time, the cumulative gains or losses previously reported in equity are included in the income statement. Impairment losses recognised in the income statement are not reversed through the income statement until the investments are disposed of.

Notes to the Financial Statements
31 December 2007

2 Summary of Significant Accounting Policies (cont'd)

(k) Investment Property

Investment property comprises significant portions of leasehold property that is held for long-term rental yields and/or for capital appreciation.

Investment property is measured initially at cost, including transaction costs, and subsequently carried at cost less accumulated depreciation and any impairment loss. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Depreciation is calculated on a straight-line basis over a period of 30 years or the term of the lease, whichever is shorter.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

(l) Club Membership

Club membership is measured on initial recognition at cost. Following initial recognition, club membership is carried at cost less any accumulated impairment losses. The club membership is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gain or loss on disposal of club membership is included in the income statement.

(m) Impairment of Non-financial Assets Excluding Goodwill

Non-financial assets excluding goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

(n) Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to income statement. Changes in the carrying amount of the allowance account are recognised in the income statement.

2 Summary of Significant Accounting Policies (cont'd)

(n) Impairment of Financial Assets (cont'd)

With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale investments, any subsequent increase in fair value after an impairment loss, is recognised directly in equity.

(o) 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.

(p) Provisions

A 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. If 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.

(q) Financial Guarantees

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 contract liabilities are initially measured at their fair values plus transaction costs in the Company's and Group's balance sheet and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations is treated as a finance charge which is amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the income statement on a straight-line basis over the period of the leases.

(s) Borrowing Costs

Borrowing costs are charged to the income statement when incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2 Summary of Significant Accounting Policies (cont'd)

(t) 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, social security fund in The People's Republic of China and Employees Provident Fund in Malaysia. 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.

(u) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Where the company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is presented as a component within equity attributable to the company's equity holders until the shares are cancelled, sold or reissued.

Where such shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realized gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

(v) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of taxes, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Revenue from sale of goods

Revenue from sale of goods is recognised upon delivery of goods and acceptance by customers and collectibility of the related receivables is reasonably assured.

(ii) Revenue from rendering of services

Revenue from rendering of services that are of a short term duration are recognised when the services are completed.

(iii) Rental income

Rental income is recognised on a straight-line basis over the lease term as set out in specific rental agreements.

(iv) Interest income

Interest income is recognised on a time-proportion basis that takes into account the effective yield on the asset.

(w) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2 Summary of Significant Accounting Policies (cont'd)

(w) Income Tax (cont'd)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(x) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which each of the entities within the Group operates (the "functional currency"). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional and presentation currency of the Company.

(ii) Translation and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet are recognised in the income statement except for currency translation differences on net investment in foreign entities.

(iii) Translation of Group entities' financial statements

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are taken to the foreign currency translation reserve.

(y) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Financial Statements
31 December 2007

2 Summary of Significant Accounting Policies (cont'd)

(y) Segment Reporting (cont'd)

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

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 capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

3 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires the use of 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 revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the amounts of assets within the next financial year are discussed below:

(a) Useful Lives of Property, Plant and Equipment and Investment Property

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment and investment property. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and investment property of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

(b) Impairment of Non-Financial Assets

The Group assesses impairment of the above-mentioned assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss. In making this judgement, the Group evaluates the value in use which is supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. No impairment loss of the above-mentioned assets has been recognised for the financial year ended 31 December 2007.

(c) Impairment of Available-for-Sale Investment

The Group follows the guidance of FRS 39 (revised) in determining when an investment is impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

As at 31 December 2007, management does not consider the structured deposits to be impaired given that there is certainty of receiving the US$3,500,000 principal on maturity, regardless of whether the trigger event occurs. See Note 18.

(d) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2007 was S$81,495,005 (2006: S$81,495,005). Further details are given in Note 21.

3 Critical Accounting Estimates and Judgements (cont'd)

(e) Allowances for Doubtful Receivables

An allowance is made for doubtful receivables 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 receivables. At the balance sheet date, the receivables are measured at amortised cost 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.

(f) Impairment of Inventories

The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Inventory items identified to be obsolete and unusable are also written off and charged as expense for the year. Provision for inventory obsolescence recognised for the financial year ended 31 December 2007 amounted to S$4,163,539.

(g) 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.

4 Revenue

	Group	
	2007 S$'000	2006 S$'000
Sale of goods	136,708	166,437
Rendering of services	609	510
Rental income	899	504
	138,216	167,451

5 Finance Income

Finance income represents interest income from cash and cash equivalents.

6 Finance Expense

	Group	
	2007 S$'000	2006 S$'000
Forward contract losses – net (transactions not qualifying as hedges)	(6,449)	(917)
Interest expense		
- borrowings	(348)	(699)
- finance lease obligation	(2)	(43)
	(6,799)	(1,659)

Notes to the Financial Statements
31 December 2007

7 Employee Benefits Expense

	Group 2007 S$'000	2006 S$'000
Salaries and wages	(22,653)	(28,073)
Contributions to defined contribution plans	(2,821)	(3,248)
Expense on share-based payments granted to employees	(56)	-
	(25,530)	(31,321)

8 Other Expenses

	Group 2007 S$'000	2006 S$'000
The major components include the following:		
Utilities	(4,534)	(4,526)
Freight charges	(1,340)	(1,898)
Rental expense (includes leasing of land)	(1,714)	(1,455)
Upkeep of machinery	(1,154)	(998)
Legal and professional fees	(952)	(543)
Upkeep of properties	(586)	(673)
Insurance	(249)	(177)

9 Other (Charges)/Credits

	Group 2007 S$'000	2006 S$'000
Provision for impairment of inventories	(4,163)	(4,683)
Foreign exchange losses – net	(2,024)	(2,683)
(Loss)/gain on disposal of property, plant and equipment	(371)	1,873
Reversal of provision for impairment on trade receivables	-	57
Bad debts written off	(14)	-
Bad debts recovered	61	59
Gain on disposal of recycling business*	-	11,990
Amortisation of deferred income (Note 25)	-	256
Inventories written off	-	(2,544)
Others	68	109
	(6,443)	4,434

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

10 Income Tax

	Group 2007 S$'000	Group 2006 S$'000
Current tax:		
- current year	(146)	(463)
- under provision in prior years	-	(379)
Deferred tax:		
- current year	677	(676)
	531	(1,518)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to profit before tax for the year ended 31 December is as follows:

	Group 2007 S$'000	Group 2006 S$'000
Profit before income tax	11,592	25,578
Tax at the applicable tax rate of 18% (2006: 20%)	(2,086)	(5,116)
Tax effect of non-deductible (non-taxable) items	(2,315)	1,941
Tax exemptions	2,967	2,489
Effect of change in tax rate	1,468	-
Effect of different tax rates in other countries	596	(261)
Under provision in prior years	-	(379)
Deferred tax assets not recognised	(99)	(192)
	531	(1,518)

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.

Notes to the Financial Statements
31 December 2007

10 Income Tax (cont'd)

The deferred tax assets and liabilities are as follows:

	2006 S$'000	Debited (credited) to income statement S$'000	2007 S$'000
Group			
2007			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	3,914	(717)	3,197
Others	176	-	176
Total deferred tax liabilities	4,090	(717)	3,373
Deferred tax assets:			
Provision	(24)	23	(1)
Tax loss carryforward	(610)	7	(603)
Tax loss carryforward used in the Group	538	-	538
Unabsorbed wear and tear allowance	(322)	10	(312)
Total deferred tax assets	(418)	40	(378)
Net deferred tax liabilities	3,672	(677)	2,995

	2005 S$'000	Debited (credited) to income statement S$'000	2006 S$'000
Group			
2006			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	3,004	910	3,914
Others	27	149	176
Total deferred tax liabilities	3,031	1,059	4,090
Deferred tax assets:			
Provision	-	(24)	(24)
Tax loss carryforwards	(197)	(413)	(610)
Tax loss carryforwards used in the Group	-	-	538
Unabsorbed wear and tear allowance	(376)	54	(322)
Total deferred tax assets	(573)	(383)	(418)
Net deferred tax liabilities	2,458	676	3,672

As at 31 December 2007, certain subsidiaries had unutilised tax losses of approximately $1,118,188 (2006: $579,275) available for offset against future taxable income, subject to agreement with the tax authorities on the relevant tax regulations. The deferred tax asset arising from unutilised leave and unutilised tax losses of certain subsidiaries has not been recognised in accordance with the accounting policy in Note 2(w) to the financial statements.

11 Earnings Per Share

The earnings per share is calculated by dividing the Group 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	
	2007 S$'000	2006 S$'000
Profit for the year attributable to shareholders	12,123	24,060
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	377,684,660	383,771,244
Effect of dilutive potential ordinary shares:		
Weighted average number of Replacement Options	18,593,664	24,116,400
Weighted average number of shares under share grant	298,813	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	396,577,137	407,887,644
Basic earnings per share (cents)	3.21	6.27
Diluted earnings per share (cents)	3.06	5.90

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.

12 Cash and Cash Equivalents

	Group		Company	
	2007 S$	2006 S$	2007 S$	2006 S$
Cash on hand and in banks	21,227	37,084	540	1,443
Fixed deposit – restricted	129	90	-	-
	21,356	37,174	540	1,443

Fixed deposit is held by a banker to cover the bank guarantee issued.

The rate of interest for the cash on interest earning accounts is between 0.9% and 3.9% (2006: 2.8% and 4.2%) in 2007. These approximate the weighted effective interest rate.

Notes to the Financial Statements
31 December 2007

13 Trade and Other Receivables

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Trade receivables:				
Outside parties	18,576	19,948	13	-
Related parties (Note 33)	337	113	-	-
Financial instruments - derivative contract (Note 35)	-	59	-	-
	18,913	20,120	13	-
Less allowance for impairment	(78)	(169)	-	-
	18,835	19,951	13	-
Other receivables:				
Related parties (Note 33)	19	469	-	-
Subsidiaries (Note 33)	-	-	12,750	18,349
Advance payment for purchase of property, plant and equipment	3,195	3,294	-	-
Prepayments	60	159	-	35
Deposits to secure services	194	2,284	-	7
Other receivables	279	302	-	-
	3,747	6,508	12,750	18,391
	22,582	26,459	12,763	18,391

Movements in allowance for impairment of trade and other receivables are as follows:

Balance at beginning of year	169	376	-	-
Reversal of allowance for impairment	(47)	(57)	-	-
Bad debts written off	(44)	(150)	-	-
Balance at end of year	78	169	-	-

The average credit period generally granted to trade receivable customers is about 30 - 90 days in 2007 (2006: 30 - 90 days).

Concentration of trade receivables customers:				
Top 1 customer	9,941	25,014	-	-
Top 2 customers	13,900	30,284	-	-
Top 3 customers	14,654	32,791	-	-

14 Assets Classified As Held for Sale

	Group	
	2007	2006
	S$'000	S$'000
At net book value:		
Factory building – (i)	5,602	4,124
Factory building – (ii)	5,100	-
	10,702	4,124

Factory buildings are presented separately as "Assets classified as held for sale" in the balance sheet following the decision of management to sell to third parties.

(i) The factory building in Suzhou, China was presented as assets classified as held for sale in 2006 and was expected to be sold in July 2007. However, the Memorandum of Understanding to sell was only signed in March 2008 and the sale is expected to be completed in 2008.

(ii) The factory building in Changi South, Singapore is expected to be sold in 2008.

The assets are included as unallocated assets for segment reporting purposes. See Note 39.

The proceeds of disposal are expected to exceed the carrying amount of the factory buildings and, accordingly, no impairment loss has been recognised on the classification of these assets held for sale.

15 Inventories

	Group 2007 S$'000	Group 2006 S$'000
Finished goods and goods for resale	11,563	5,870
Work-in-progress	12,816	5,079
Raw materials	5,609	14,226
	29,988	25,175

Inventories are stated after impairment of inventories amounting to $8,738,573 (2006: $4,932,039) in 2007.

Impairment of inventories amounting to $363,725 was written back as the inventories were sold above carrying amounts during the year.

16 Investments in Subsidiaries

	Company 2007 S$'000	Company 2006 S$'000
Unquoted equity shares at cost	139,979	139,882
Less provision for impairment	(994)	(994)
	138,985	138,888

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 2007 %	Effective percentage of equity held by Group 2006 %	Company's cost of investment 2007 S$'000	Company's cost of investment 2006 S$'000
Held by the Company					
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
Norelco Centreline International Pte Ltd (Singapore)	Investment holding	100	100	800	800
NCS Engineering Pte Ltd (Singapore)	Design and build of automated machines and supply of industrial components	100	100	403	403
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
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	100	-	-

Notes to the Financial Statements
31 December 2007

16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and Incorporation	Principal activities	Effective percentage of equity held by Group 2007 %	2006 %	Company's cost of investment 2007 S$'000	2006 S$'000
Held by the Company					
Ultimate Manufacturing Solutions (Suzhou) Co., Ltd (previously known as Norelco Centreline (Suzhou) Co., Limited). (The People's Republic of China) [1]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100	2,102	2,102
ASL International Trading, Inc. (USA) [2]	Acting as Group's procurement and purchasing center	100	100	33	33
UMS Solar Pte Ltd (Singapore) **	Installation of thermal and sound insulation (including solar control films)	100	-	-	-
				139,882	139,882
Add: expenses recognised relating to equity settled share-based payments (Note 30)				56	-
Add: corporate guarantee given to subsidiaries				41	-
				139,979	139,882
Held through Norelco Centreline International Pte Ltd					
Norelco Centreline (KL) Sdn. Bhd. (Malaysia) [3]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100		
Ultimate Manufacturing Solutions (M) Sdn. Bhd (previously known as Norelco-UMS (M) Sdn. Bhd). (Malaysia) [4]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100		
Norelco Centreline (Hong Kong) Pte Limited (Hong Kong) [5]	Investment holding	100	100		

16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and Incorporation	Principal activities	Effective percentage of equity held by Group 2007 %	2006 %	Company's cost of investment 2007 S$'000	2006 S$'000
Held through UMS Semiconductor Pte Ltd					
UMS Solutions Pte Ltd Singapore)	Manufacturing and refurbishment of wafer fabrication equipment parts	100	100		
UMS Technology Pte Ltd (Singapore)	Investment holding	100	100		
Held through UMS Technology Pte Ltd					
UMS-TQ Technology (Suzhou) Co., Ltd (The People's Republic of China) [1]	Manufacturing and refurbishment of wafer fabrication equipment parts and providing electroplating and anodising services	100	100		

* Less than $1,000.
** Incorporated on 18 December 2007 as a wholly owned subsidiary of the Company.

The above subsidiaries are audited by Moore Stephens, Singapore except the following:

1 Audited by Jiangsu Gong Zheng, Certified Public Accountants Co. Ltd.
2 Not required to be audited and is considered not significant to the Group.
3 Audited by Horwath, Malaysia.
4 Audited by Moore Stephens, Malaysia.
5 Audited by Horwath, Hong Kong.

17 Property, Plant and Equipment

	Freehold land S$'000	Freehold buildings S$'000	Leasehold properties S$'000	Plant and equipment S$'000	Total S$'000
Group					
2007					
Cost					
At beginning of year	694	2,729	18,018	84,940	106,381
Foreign exchange adjustment	55	38	(11)	178	260
Additions	3,266	21	1,784	24,681	29,752
Reclassified as assets held for sale	-	-	(8,020)	-	(8,020)
Disposals/write-off	-	-	-	(1,748)	(1,748)
At end of year	4,015	2,788	11,771	108,051	126,625
Accumulated depreciation:					
At beginning of year	-	108	2,491	43,838	46,437
Foreign exchange adjustment	-	2	-	91	93
Reclassified as assets held for sale	-	-	(1,442)	-	(1,442)
Depreciation for the year	-	55	480	9,822	10,357
Disposals/write-off	-	-	-	(1,254)	(1,254)
At end of year	-	165	1,529	52,497	54,191
Net book value:					
At end of year	4,015	2,623	10,242	55,554	72,434

Notes to the Financial Statements

31 December 2007

17 Property, Plant and Equipment (cont'd)

	Freehold land S$'000	Freehold buildings S$'000	Leasehold properties S$'000	Land use right S$'000	Plant and equipment S$'000	Construction in-progress S$'000	Total S$'000
2006							
Cost:							
At beginning of year	690	2,683	17,217	947	82,017	3,197	106,751
Foreign exchange adjustment	4	15	(123)	-	15	-	(89)
Additions	-	31	997	-	8,842	-	9,870
Reclassified as assets held for sale	-	-	(4,217)	-	-	-	(4,217)
Reclassification	-	-	4,144	(947)	-	(3,197)	-
Disposals/write-off	-	-	-	-	(5,934)	-	(5,934)
At end of year	694	2,729	18,018	-	84,940	-	106,381
Accumulated depreciation:							
At beginning of year	-	54	2,072	78	35,823	-	38,027
Foreign exchange adjustment	-	-	(2)	-	(10)	-	(12)
Reclassified as assets held for sale	-	-	(93)	-	-	-	(93)
Reclassification	-	-	78	(78)	-	-	-
Depreciation for the year	-	54	436	-	9,790	-	10,280
Disposals/write-off	-	-	-	-	(1,765)	-	(1,765)
At end of year	-	108	2,491	-	43,838	-	46,437
Net book value:							
At end of year	694	2,621	15,527	-	41,102	-	59,944

The Group's leasehold properties and plant and equipment with net book values of $4,101,258 and $Nil, respectively (2006: $3,855,196 and $Nil, respectively) are pledged to banks to secure the bank loans and banking facilities granted to the Group (Notes 23, 26 and 34).

Certain items are under finance lease agreements (see Note 27).

18 Available-for-Sale Investment

	Group		Company	
	2007 S$	2006 S$	2007 S$	2006 S$
Unquoted investment, at cost	5,041	-	-	-

Available-for-sale investment represents a foreign exchange-linked United States Dollar Structured Deposit arrangement with a bank amounting to US$3,500,000. The term of the deposit is 10 years and upon which the principal amount is repaid with a bonus payment that yields an estimated return of 6.5% per annum if the Swiss Francs versus United States Dollar exchange rate is equal to or greater than SF1.348.

The Company has the option to terminate the investment subject to the cost of the payment of a pre-mature withdrawal fee and any administrative costs that may be incurred by the bank.

Management considers the fair value could not be reliably measured as it is contingent upon the occurrence of the trigger event that the number of Swiss Francs versus United States Dollar exchange rate is equal to or greater than SF1.348. Thus, the best estimate of fair value of the financial instrument that is not quoted in an active market is the transaction price, i.e., at cost of $5,041,400 (US$3,500,000).

19 Investment Property

	Group 2007 S$'000	2006 S$'000
Cost:		
At beginning of year	4,100	4,657
Additions	-	400
Disposals	-	(957)
At end of year	4,100	4,100
Accumulated depreciation:		
At beginning of year	429	374
Additions	136	152
Disposals	-	(97)
At end of year	565	429
Net book value	3,535	3,671

Investment property pertains to the leasehold property held by a subsidiary under operating leases to earn rentals. Rental income and direct operating expenses related to the investment property amounted to $474,244 (2006: $149,752) and $307,267 (2006: $121,370), respectively, as at 31 December 2007. The estimated fair value of the leasehold property amounted to $5,500,000 (2006: $4,500,000) in 2007 as determined on the basis of valuations carried out by an independent valuer.

20 Club Membership

	Group 2007 S$'000	2006 S$'000
Club membership, at cost	53	-

The membership right was registered in the name of an employee who is holding it in trust for the Group.

21 Goodwill

	Group 2007 S$'000	2006 S$'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:

Notes to the Financial Statements
31 December 2007

21 Goodwill (cont'd)

	Semiconductor segment	
	2007	2006
	S$'000	S$'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
	81,495	81,495

The goodwill was tested for impairment in June 2007. 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.

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

	2007	2006
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs.	10%	9%
2. Growth rates based on industry growth forecasts	6%-10%	5%
3. Cash flow forecasts derived from the most recent financial budgets approved by management.	5 years	5 years
4. Gross margin	44%	47%

22 Other Long-Term Loan Receivable

	Company	
	2007	2006
	S$'000	S$'000
Loan to a subsidiary (Note 33)	1,865	8,639

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% (2006: 5%).

The loan from a subsidiary has no repayment terms. Accordingly, the fair value of the loan is not determinable as the timing of the future cash flows arising from the loan cannot be measured reliably. Thus, the financial asset is recognised at transaction price, i.e., at cost.

23 Short-Term Borrowings

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Bank loan (secured)	-	4,593	-	-

The short-term bank loan is denominated in United States dollar and bears interest ranging from 6.2% to 6.6% (2006: 3.0% to 6.4%) per annum. This loan is secured by a fixed charge over certain leasehold properties and machineries and a fixed and floating charge over a subsidiary's present and future undertaking, property assets, revenue and rights, and corporate guarantee by the Company.

24 Trade and Other Payables

	Group 2007 S$	Group 2006 S$	Company 2007 S$	Company 2006 S$
Trade payables:				
Outside parties and accrued liabilities	18,231	16,446	978	587
Related parties (Note 33)	897	1,089	-	-
Financial instruments - derivative contracts (Note 35)	6,635	1,908	-	-
	25,763	19,443	978	587
Other payables:				
Subsidiaries (Note 33)	-	-	2,130	2,102
Related parties	97	-	-	-
Outside parties	1,086	430	-	82
Deposits received	1,547	1,344	-	-
Payables on purchase of noncurrent assets	11,406	-	-	-
	14,136	1,774	2,130	2,184
	39,899	21,217	3,108	2,771

The average credit period taken to settle non-related trade payables is about 60 days (2006: 60 days) in 2007. The other payables are with short-term durations.

25 Deferred Income

In prior year, one of the subsidiaries entered into a facilities establishment agreement with a customer whereby the customer will provide the subsidiary certain bonus payments not exceeding US$3,000,000. The subsidiary's entitlement to each of the bonus payments was dependent on its ability to meet the requirements stipulated by the customer in respect of each milestone. Deferred income relates to incentive bonus payments 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 S$'000
At beginning of year	3,071
Amount transferred as realised on the disposal of the related plant and equipment during the year	(3,071)
At end of year	-
Accumulated amortisation:	
At beginning of year	732
Amortisation during the year	256
Realised on the disposal of the related property, plant and equipment	2,083
Amount transferred as realised on the disposal of the related property, plant and equipment during the year	(3,071)
At end of year	-
Net deferred income at end of year	-

Notes to the Financial Statements
31 December 2007

26 Long-Term Borrowings

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Bank loan – (i)	1,945	3,611	-	-
Bank loan – (ii)	267	652	267	652
Bank loan – (iii)	-	388	-	388
	2,212	4,651	267	1,040
Less current portion	(1,934)	(2,415)	(267)	(748)
Noncurrent portion	278	2,236	-	292

The bank loans of the Group are as follows:

(i) A three-year bank loan of $5,000,000 is repayable in 36 equal monthly instalments commencing from February 2006. It is secured by a fixed charge over the Group's leasehold properties and corporate guarantee given by the Company and a related company. Floating rate of interest was charged at rates ranging from 3.45% to 5.00% (2006: 4.68% to 5.08%) per annum on a monthly rest.

(ii) 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. For the third year, a fixed rate of interest was charged at a rate of 3.25% (2006: 3.25%) per annum on a monthly rest and in the future, a floating rate will be charged. The current floating rate is 5.00%. Outstanding balance as at 31 December 2007 amounted to $267,347.

(iii) A four-year bank loan of $2,070,000 repayable in 48 equal monthly instalments commencing September 2003. It was secured by a corporate guarantee from a subsidiary. Fixed rate of interest was charged at a rate of 4.50% (2006: 4.50%) per annum on a monthly rest in 2007. The loan was fully settled during the year.

The terms of bank loan - (i) for a subsidiary provide that the Company and subsidiaries (a) at all times maintain a net worth on a consolidated Group basis of not less than $35,000,000 (b) ratio of consolidated total liabilities to consolidated tangible net worth not more than 2; and (c) ratio of consolidated EBITDA to consolidated interest expense not less than 4.

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

As at 31 December 2007, the Group is in compliance with the required covenants. All the borrowings are interest-bearing and are measured using the effective interest method.

27 Finance Lease Obligation

	Minimum Payments S$'000	Interest S$'000	Present Value S$'000
Group			
2007			
Within 1 year	9	(1)	8
Within 2 to 5 years	4	-	4
	13	(1)	12
Net book value of plant and equipment under finance lease			20

27 Finance Lease Obligation (cont'd)

	Minimum Payments S$'000	Interest S$'000	Present Value S$'000
Group			
2006			
Within 1 year	9	(1)	8
Within 2 to 5 years	13	(1)	12
	22	(2)	20
Net book value of plant and equipment under finance lease			24

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 2007, the rate of interest for finance leases is about 4.5% (2006: 4.5%) 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 obligation under finance lease is secured by the lessor's charge over the leased assets.

The Company has no obligations under finance lease.

28 Long-Term Provision

	Group	
	2007 S$'000	2006 S$'000
Provision for dismantling and removing the item and restoring the site relating to property, plant and equipment	1,200	1,200

The provision is based on the present value of costs to be incurred.

29 Share Capital

	Group and Company	
	Number of ordinary shares	Share capital S$'000
2007		
Balance at beginning of year	386,022,600	136,989
Issuance during the year	24,116,400	18,992
Balance at end of year	410,139,000	155,981
Less treasury shares:		
Balance at beginning of year	7,103,000	3,105
Acquired	9,551,000	4,778
Balance at end of year	16,654,000	7,883
Net balance	393,485,000	148,098

Notes to the Financial Statements

31 December 2007

29 Share Capital (cont'd)

	Group and Company	
	Number of ordinary shares	Share capital S$'000
2006		
Balance at beginning and end of year	386,022,600	136,989
Less treasury shares:		
Balance at beginning of year	-	-
Acquired	7,103,000	3,105
Balance at end of year	7,103,000	3,105
Net balance	378,919,600	133,884

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

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 10% 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.

(i) 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 9,551,000 (2006: 7,103,000) of its own shares of no par value through purchases on the Singapore Stock Exchange as at 2007 and this has been deducted from 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.

(ii) Replacement Option Agreement

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

29 Share Capital (cont'd)

(ii) Replacement Option Agreement (cont'd)

- 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 setoff, 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
	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	Exercised	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, all options were exercised under the Replacement Option Agreement.

The Company issued 24,116,400 ordinary shares for which consideration has already been received. There were no further proceeds from the issuance of these shares.

30 Share-Based Payments

During the year, the Company set up UMS Performance Share Plan (PSP) and Restricted Share Plan (RSP) (collectively referred to as the "Scheme") for all employees and directors. The Scheme is administered by the Remuneration Committee.

Under the RSP, participants are granted rights to the Company's shares at the grant date provided that performance and extended service conditions as set out in the plan are met. Such performance conditions include divisional net profit before tax and Group net profit after tax key performance indicators over a 1-year performance period from 1 January 2007 to 31 December 2007. Under the PSP, participants are granted rights to the Company's shares at the grant date provided that performance conditions as set out in the plan are met. Such performance conditions include absolute Total Shareholder Return and Return on Equity hurdles over a 3-year performance period.

On 15 March 2007, the Company granted 1,885,000 restricted share awards and 200,000 performance share awards to its employees and management staff. Management represented that all PSP and RSP share awards granted shall be settled by equity.

30 Share-Based Payments (cont'd)

Details of the share awards outstanding during the year are as follows:

Date of grant	Number of Shares	Vesting Date	Fair Value S$
RSP:			
15 March 2007	628,333	1 April 2008	0.490
15 March 2007	628,333	1 April 2009	0.485
15 March 2007	628,334	1 April 2010	0.480
	1,885,000		
PSP:			
15 March 2007	200,000	1 April 2010	0.480
	2,085,000		

The Group recognised a total expense of $55,697 related to equity-settled share-based payment transactions during the year.

31 Reserves

	Group		Company	
	2007 S$	2006 S$	2007 S$	2006 S$
Capital reserve (a)	56	18,992	124	18,992
Statutory reserve (b)	145	145	-	-
Foreign exchange translation reserve (c)	(404)	(299)	-	-
	(203)	18,838	124	18,992

Movements in reserves for the Group are set out in the statement of changes in equity.

(a) Capital Reserve

In 2006, capital reserve relates to 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. See also Note 29 (ii) above.

In 2007, capital reserve relates to the share-based payments granted to employees as disclosed in Note 30 above.

(b) 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.

(c) Foreign Exchange Translation Reserve

The translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

Reserves are not available for distribution as cash dividends.

32 Dividends

	Group 2007 S$'000	Group 2006 S$'000
Final and special exempt (one-tier) dividend paid of 2.35 cents (2006: 1.25 cents) per share	8,719	4,825

In respect of the current year, the directors propose that a final exempt (one-tier) dividend of $0.0100 per share 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 2007 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.

33 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.

There are transactions and arrangements between the Group 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.

In addition to the transaction and balances disclosed elsewhere in the notes to the financial statements, related party transactions include the following:

	2007 S$'000	2006 S$'000
Sale of goods	(32)	(51)
Payment on behalf for purchases and services	1,275	210
Subcontractor works	1,614	1,621

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

Key management compensation

	Group 2007 S$'000	Group 2006 S$'000
Salaries and employee benefits	1,282	2,292

Notes to the Financial Statements

31 December 2007

33 Related Party Transactions (cont'd)

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 the following items:

	2007 S$'000	2006 S$'000
Remuneration of directors of the Company	343	754
Fees to directors of the Company	170	178
Remuneration of other directors of subsidiaries	213	199
Staff remuneration to wife of Luong Andy, a director of the Company	283	501

34 Contingent Liabilities

		Group	
		2007 S$'000	2006 S$'000
(a)	Bank guarantees in favour of subsidiaries	6,830	13,900
(b)	Guarantees (secured) provided by financial institutions (Note 18)	2,037	1,230

(c) 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 subsidiary sold its operations of the cleaning business on 31 August 2006. The subsidiary 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 subsidiary may be required to provide for 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.

35 Financial Instruments - Derivative Contracts

	Group	
	2007 S$'000	2006 S$'000
Assets - derivatives with positive fair values:		
Non-hedging instruments derivative contracts (Note 13)	-	59
Liabilities - derivatives with negative fair values:		
Non-hedging instruments derivative contracts (Note 24)	6,635	1,908
Movements during the year were as follows:		
Losses included in income statement	4,786	1,849

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.

35 Financial Instruments - Derivative Contracts (cont'd)

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

	Group 2007 S$'000	Group 2006 S$'000
Foreign exchange forward contracts - sell US$/buy Yen [1]	56,495	16,627
Foreign exchange forward contracts - sell US$/buy SGD [1]	-	29,251
Currency options bought	-	78,822
Currency options sold	30,205	61,452

The expiration dates for the derivative contracts range from 10 January 2008 to 29 July 2008 (2006: 4 January 2007 to 5 October 2007).

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

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 designed 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 fair value of those contracts are recognised directly in the income statement and the hedged item follows normal accounting policies.

36 Capital Commitments

	Group 2007 S$'000	Group 2006 S$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	15,118	17,647

37 Operating Lease Payment Commitments

At the balance sheet date, the future minimum lease payments under non-cancellable operating leases with terms of more than one year of the Group are as follows:

	Group 2007 S$'000	Group 2006 S$'000
Within 1 year	1,489	1,422
Within 2 to 5 years	4,851	2,305
After 5 years	11,229	10,567
Rental expense for the year	1,714	1,455

Notes to the Financial Statements
31 December 2007

37 Operating Lease Payment Commitments (cont'd)

Operating lease payments represent mainly rental payable by the Group for certain of its factory premises. It comprises mainly the following:

(a) The lease from the Jurong Town Corporation (JTC) is due to expire on 30 April 2025 but with an option to renew 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 JTC 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 JTC 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 JTC 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 immediate preceding year. Such increases are not included in the above amounts.

The Company has no operating lease payment commitments.

38 Operating Lease Income Commitments

At the balance sheet date, the future minimum lease receivables under non-cancellable operating leases with terms of more than one year of the Group are as follows:

	Group	
	2007 S$'000	2006 S$'000
Within 1 year	628	994
Within 2 to 5 years	1,623	3,520
Rental income for the year	899	504

Operating lease income is for rental receivable of subsidiaries for certain of its factory properties. It comprises mainly the lease with Metron Technology (Singapore) Pte Ltd is due to expire 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.

The Company has no operating lease income commitments.

39 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 the supplier of assembly and test equipment to hard disk drive manufacturers and base components to aerospace and oil and gas original equipment manufacturers (OEM). It also includes healthcare, defence and other general manufacturing industries.

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.

Segment information about these businesses is presented below:

Business Segments

	CEM		Semiconductor		Eliminations		Total	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Total revenue	31,910	38,229	123,127	155,727	(16,821)	(26,505)	138,216	167,451
Segment results	2,837	1,253	29,592	31,407	2,713	344	35,142	33,004
Unallocated financial income							185	231
Unallocated financial expenses							(6,799)	(1,659)
Depreciation expense							(10,493)	(10,432)
Unallocated expenses							(6,443)	4,434
Profit before income tax							11,592	25,578
Income tax credit/(expense)							531	(1,518)
Net profit for the year							12,123	24,060

	CEM		Semiconductor		Eliminations		Total	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Group assets and liabilities								
Segment assets	18,199	15,453	30,623	29,500	-	-	48,822	44,953
Unallocated assets							198,364	193,089
Total assets							247,186	238,042
Segment liabilities	4,638	1,695	15,830	6,219	-	-	20,468	7,914
Unallocated liabilities							25,910	27,897
Total liabilities							46,378	35,811

Notes to the Financial Statements
31 December 2007

39 Financial Information by Segments (cont'd)

Geographical Segments

	Singapore		Malaysia		USA		Others		Eliminations		Total	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Total revenue	23,166	51,772	16,168	9,899	99,556	119,742	16,147	12,543	(16,821)	(26,505)	138,216	167,451
Other geographical information:												
Segment assets	205,073	201,935	24,259	14,970	8,013	11,507	9,841	9,630	-	-	247,186	238,042
Capital expenditure	10,916	6,955	5,236	1,578	-	-	1,555	508	-	-	17,707	9,041
Depreciation	8,060	7,837	1,809	1,922	-	-	624	673	-	-	10,493	10,432

40 Financial Instruments

(a) Financial Risk Management Policies and Objectives

The main risks arising from the entity's financial instruments are capital risk, credit risk, interest rate risk, liquidity risk and foreign currency 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.

(i) Capital Risk

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

The Group sets the amount of capital in proportion to risk. The Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by 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, retained earnings, and reserves) other than amounts recognised in equity relating to cash flow hedges, and includes some forms of subordinated debt.

	Group		Company	
	2007 S$	2006 S$	2007 S$	2006 S$
Net debt	19,132	27,910	273	403
Adjusted capital	200,808	202,231	150,768	163,313
Debt-to-adjusted capital ratio	0.10	0.14	0.002	0.002

40 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

(ii) Credit Risk

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash and cash equivalents and trade and other receivables. 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 debtor's financial condition and a loss from impairment is recognised in the income statement. The carrying amount of financial assets recorded in the financial statements, grossed up for any provision for impairment, represents the Group's maximum exposure to credit risk.

The table below is an analysis of trade receivables as at 31 December:

	Group		Company	
	2007 S$	2006 S$	2007 S$	2006 S$
Not past due and not impaired	21,502	25,217	12,763	18,391
Past due but not impaired[1]	934	174	-	-
	22,436	25,391	-	-
Impaired receivables – individually assessed[2]	224	1,237	-	-
Less: Provision for impairment	(78)	(169)	-	-
	146	1,068	-	-
Trade and other receivables, net	22,582	26,459	12,763	18,391

1 These receivables are 120 days past due.
2 These amounts are stated before any deduction for impairment losses. These receivables are not secured by any collateral or credit enhancements.

Before accepting any new customer, the Group conducts research to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

(iii) Interest Rate Risk

The Group has cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group obtains additional financing through bank borrowings and leasing arrangements. Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings and leasing obligations.

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.

Notes to the Financial Statements
31 December 2007

40 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

(iii) Interest Rate Risk (cont'd)

A 3% increase/decrease in the underlying borrowings at the reporting date would increase/decrease profit or loss by the following amount:

	Group		Company	
	2007 S$	2006 S$	2007 S$	2006 S$
Profit or loss	67	278	8	31

This analysis assumes that all other variables remain constant.

(iv) Liquidity Risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities (including financial instruments – derivative contracts) based on contractual undiscounted cash flows.

	Less than 1 year S$'000	Between 1 and 2 Years S$'000	Between 2 and 5 years S$'000
Group			
2007			
Trade and other payables	39,899	-	-
Borrowings	1,942	282	-
	41,841	282	-
2006			
Trade and other payables	21,217	-	-
Borrowings	7,016	1,966	282
	28,233	1,966	282
Company			
2007			
Trade and other payables	3,108	-	-
Borrowings	267	-	-
	3,375	-	-
2006			
Trade and other payables	2,771	-	-
Borrowings	748	292	-
	3,519	292	-

The policy has been to ensure continuity of funding and where necessary a certain

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.

(v) Foreign Currency Risk

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.

40 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

(v) Foreign Currency Risk (cont'd)

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Profit or loss S$'000	Equity S$'000	Profit or loss S$'000	Equity S$'000
2007				
Chinese renminbi	(63)	-	-	-
Japanese yen	358	-	-	-
Euro	(1)	-	-	-
Hong Kong dollar	1	-	-	-
Malaysian ringgit	59	-	-	-
United States dollar	(1,015)	-	-	-
2006				
Chinese renminbi	(207)	-	-	-
Japanese yen	(1,187)	-	-	-
Euro	(4)	-	-	-
Hong Kong dollar	-	-	-	-
Malaysian ringgit	(145)	-	-	-
United Stated dollar	(1,542)	-	(13)	-

A 10% weakening of the Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The Group's and Company's exposures to foreign currency are as follows:

	Singapore Dollar S$'000	Chinese Renminbi S$'000	Japanese Yen S$'000	Euro S$'000	Hong Kong Dollar S$'000	Malaysian Ringgit S$'000	United States Dollar S$'000	Total S$'000
Group								
2007								
Cash and cash Equivalents	7,863	730	1,879	12	1	235	10,636	21,356
Trade and other Receivables	8,166	221	-	-	-	413	13,782	22,582
Trade and other Payables	(18,625)	(319)	(5,460)	-	(8)	(1,224)	(14,263)	(39,899)
Financial liabilities	(2,212)	-	-	-	-	(12)	-	(2,224)
	(4,808)	632	(3,581)	12	(7)	(588)	10,155	1,815
2006								
Cash and cash Equivalents	11,610	1,156	11,874	15	2	921	11,596	37,174
Trade and other Receivables	7,613	1,042	-	27	-	1,641	16,136	26,459
Trade and other Payables	(12,275)	(130)	-	-	(5)	(1,090)	(7,717)	(21,217)
Financial liabilities	(4,651)	-	-	-	-	(20)	(4,593)	(9,264)
	2,297	2,068	11,874	42	(3)	1,452	15,422	33,152

Notes to the Financial Statements
31 December 2007

40 Financial Instruments (cont'd)

(a) Financial Risk Management Policies and Objectives (cont'd)

(v) Foreign Currency Risk (cont'd)

	Singapore Dollar S$'000	United States Dollar S$'000	Total S$'000
Company			
2007			
Cash and cash Equivalents	539	1	540
Trade and other Receivables	12,763	-	12,763
Other long-term Receivable	1,865	-	1,865
Trade and other Payables	(3,108)	-	(3,108)
Financial liabilities	(267)	-	(267)
	11,792	1	11,793

	Singapore Dollar S$'000	United States Dollar S$'000	Total S$'000
Company			
2006			
Cash and cash Equivalents	1,433	10	1,443
Trade and other Receivables	18,391	-	18,391
Other long-term Receivable	8,639	-	8,639
Trade and other Payables	(2,634)	(137)	(2,771)
Financial liabilities	(1,040)	-	(1,040)
	24,789	(127)	24,662

(vi) Other Business Risks

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.

(b) Fair Value of Financial Instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair values of each class of financial instruments.

(i) Other financial assets and financial liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including cash and cash equivalents, assets held for sale, trade and other receivables, short-term borrowings and trade and other payables) approximate their fair values due to the relatively short-term maturity of these financial instruments.

(ii) Other long-term receivable

The fair value is not determinable as the timing of the future cash flows arising from the loan cannot be estimated reliably.

40 Financial Instruments (cont'd)

(b) Fair Value of Financial Instruments (cont'd)

(iii) Long-term borrowings

The fair value is calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates for similar instruments at the balance sheet. As at 31 December 2007 and 2006, the carrying amounts of the long-term borrowings approximate its fair values.

(iv) Finance lease obligation

The fair value is determined by discounting the relevant cash flow using the current interest rates for similar instruments at balance sheet date. There are no material differences between the fair value and carrying value.

(v) Derivatives

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

41 Reclassification of Accounts

	2006 Before Reclassification S$'000	2006 After Reclassification S$'000	Effect S$'000
Balance Sheet (Group)			
(a) Reclassification of leasehold property as investment property upon adoption of FRS 40			
Property, plant and equipment	63,615	59,944	(3,671)
Investment property	-	3,671	3,671
Income Statement			
(b) Reclassification of various charges or credits to conform with 2007 presentation			
Finance income	456	231	(225)
Finance expense	(4,342)	(1,659)	2,683
Other (charges)/credits	6,892	4,434	(2,458)

42 Subsequent Events

Subsequent to the balance sheet date, the factory building in 33 Changi South Avenue 2 included under "Assets classified as held for sale" in the balance sheet was sold to a third party in January 2008.

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 S$'000	Integrated Manufacturing Technologies, Inc. S$'000	Total S$'000
Sales to IMT	1	31	32
Subcontractor works	1,564	50	1,614
Payment on behalf for purchases and services	1,269	6	1,275

Major contracts with directors
There were no major contracts with directors.

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 2007 S$'000	Net Book Value 2006 S$'000
33 Changi South Avenue 2 Singapore 486445	Held for sale	30 +option 30 years lease commencing 1 May 1995 and ending on 30 April 2025	5,100	5,250
Lot 3655, 3656, 3657, MK, 13, Lorong Iks Juru 6, Kawasan Perindustrian Ringan Juru, 14100 Simpang Ampat, Pulau Pinang, Malaysia	Office cum factory building	Freehold	2,623	3,315
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	6,144	6,022
25 Changi North Crescent Changi North Industrial Estate Singapore 499617	Leased	30 years lease commencing 1 February 2003 and ending 28 February 2033	3,535	3,671
27 Changi North Crescent Changi North Industrial Estate Singapore 499619	Office cum factory building	30 years lease commencing 16 April 2004 ending 15 April 2034	4,098	4,255
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	5,602	4,124

Shareholdings Statistics

As at 18 March 2008

Number of shares	410,139,000
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

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%
1	-	999	20	0.79	11,438	0.00
1,000	-	10,000	1,304	51.34	8,910,295	2.26
10,001	-	1,000,000	1,200	47.24	63,144,592	16.05
1,000,001	AND ABOVE		16	0.63	321,418,675	81.69
TOTAL			**2,540**	**100.00**	**393,485,000**	**100.00**

Based on the information provided to the Company as at 18 March 2008, approximately 34.30% 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

No.	Name	No. of Shares	%
1	LUONG ANDY	98,856,727	25.12
2	HSBC (SINGAPORE) NOMINEES PTE LTD	95,679,563	24.32
3	UOB KAY HIAN PTE LTD	34,686,419	8.82
4	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	31,713,400	8.06
5	CITIBANK NOMINEES SINGAPORE PTE LTD	18,249,000	4.64
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	9,365,000	2.38
7	DBS NOMINEES PTE LTD	9,180,566	2.33
8	LIM & TAN SECURITIES PTE LTD	6,202,000	1.58
9	DBS VICKERS SECURITIES (S) PTE LTD	4,297,000	1.09
10	MERRILL LYNCH (SINGAPORE) PTE LTD	2,925,000	0.74
11	OCBC SECURITIES PRIVATE LTD	2,900,000	0.74
12	PHILLIP SECURITIES PTE LTD	2,282,000	0.58
13	RAFFLES NOMINEES PTE LTD	1,415,000	0.36
14	TAN POH GHEE	1,352,000	0.34
15	CITIBANK CONSUMER NOMINEES PTE LTD	1,169,000	0.30
16	OCBC NOMINEES SINGAPORE PTE LTD	1,146,000	0.29
17	DBSN SERVICES PTE LTD	811,000	0.21
18	HONG LEONG FINANCE NOMINEES PTE LTD	801,000	0.20
19	MEREN PTE LTD	800,000	0.20
20	KIM ENG SECURITIES PTE. LTD.	737,000	0.19
TOTAL		**324,567,675**	**82.49**

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2008

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	Percentage (%)
Luong Andy	104,628,727		104,628,727	25.51
Baring Asia II Holdings (13) Limited		54,045,563	54,045,563	13.18
Arisaig ASEAN Fund Limited	40,909,000		40,909,000	9.97
Quest World Investment Limited		32,175,419	32,175,419	7.85
Applied Materials, Inc	20,639,400		20,639,400	5.03

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at 25 Changi North Rise, Singapore 498778 on Wednesday, 30 April 2008 at 10.00 a.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 2007 and the Auditors' Report thereon. **Resolution 1**

2. To approve the payment of a final exempt (one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 31 December 2007. **Resolution 2**

3. To re-elect Mr Oh Kean Shen, who is retiring by rotation in accordance with Article 104 of the Company's Articles of Association, as Director of the Company.

   [Mr Oh Kean Shen 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 3**

4. To re-elect Mr Soh Gim Teik, who is retiring in accordance with Article 114 of the Company's Articles of Association, as Director of the Company. **Resolution 4**

5. To re-elect Mr N. Sreenivasan, who is retiring in accordance with Article 114 of the Company's Articles of Association, as Director of the Company. **Resolution 5**

6. To approve the payment of Directors' fees of S$170,000/- for the financial year ended 31 December 2007 [FY2006: S$177,583] **Resolution 6**

7. To re-appoint Messrs Moore Stephens as Independent 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

   (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 the 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

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 authorise 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) 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"). 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 BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 14 May 2008, for the purpose of determining members' entitlements to the final exempt (one-tier) dividend (the "Final Dividend") to be proposed at the Annual General Meeting of the Company to be held on 30 April 2008.

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 13 May 2008 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 3 Church Street #08-01 Samsung Hub Singapore 049483 will be registered to determine members' entitlements to the Final Dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares in the Company as at 5:00 p.m. on 13 May 2008 will be entitled to such proposed Final Dividend.

The proposed Final Dividend, if approved at the Annual General Meeting will be paid on 29 May 2008.

BY ORDER OF THE BOARD

Shirley Lim Guat Hua
Company Secretary

Singapore: 11 April 2008

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 of attorney duly authorised.

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.

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

Proxy Form

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.

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 25 Changi North Rise, Singapore 498778 on Wednesday, 30 April 2008 at 10.00 a.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 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 for the year ended 31 December 2007		
2	To approve payment of a final exempt (one-tier) dividend		
3	To re-elect Mr Oh Kean Shen as Director		
4	To re-elect Mr Soh Gim Teik as Director		
5	To re-elect Mr N.Sreenivasan as Director		
6	To approve directors' fees for the year ended 31 December 2007		
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 ______________ 2008

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

Total number of Shares held

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 Singapore Companies Act, Cap 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 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 Holdings Limited
Company Registration No : 200100340R
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