


ANNUAL REPORT 2008

Shaping Our Future

UMS GROUP

UMS HOLDINGS LIMITED

VISION

We aim to be a strategic global partner for successful global companies, providing a full range of integrated manufacturing services for mission-critical components.

MISSION

We deliver the best in-class manufacturing solutions to accelerate our customers' manufacturing processes to produce quality products at competitive prices.

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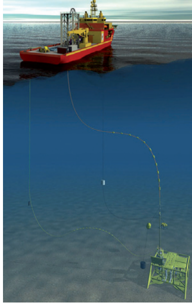


CORPORATE PROFILE

UMS Holdings Limited was incorporated in Singapore on 17 January 2001 as a public limited company under the name Norelco Centreline Holdings Limited. The Group was created in 2004 via the merger between Norelco Centreline and UMS Semiconductor.

The UMS Group makes high precision components and is also involved in complex electromechanical assembly and final testing services. It mainly serves the hard disk drive and semiconductor equipment manufacturers. Other industries which it also supports include the electronic, machine tools and oil and gas.

Headquartered in Singapore, the Group has production facilities in Singapore, Malaysia as well as an office in Fremont, USA.

The Group's new building, UMS Aerospace, opened in February 2008 at 25 Changi North Rise. It focuses on manufacturing higher value added components, capitalizing on its core competencies in precision machining. Its new 480,000 sq ft production facility in Penang will be used to ramp up its production capacity when the economy recovers.

Soh Gim Teik (Mr.)
Chairman

"By adopting cost-cutting strategies and maintaining strong relationships with our key customers, we have been able to remain relevant to our customers' needs..."

Dear Shareholders,

Despite operating under very challenging circumstances, we are pleased to report that the Group remained profitable in the year under review.

By adopting cost-cutting strategies and maintaining strong relationships with our key customers, we have been able to remain relevant to our customers' needs in the volatile semiconductor industry that is currently experiencing a decline in global demand.

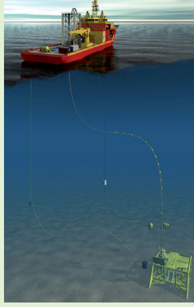
We have taken steps to improve our efficiencies while lowering our operational costs at the same time. To this end, we have re-located our high volume production to Penang, Malaysia while keeping Singapore as our corporate headquarters, the centre for R&D, and other higher value-added operations. Our new manufacturing plant in Penang, Malaysia is now completed and fully operational, thus putting us in a good position to ramp up our capacity when the economic recovery takes place.

Overall, we were able to control and reduce operational and other costs while maintaining our good product quality and reliability in delivery to our customers.

Financial Performance

The Group reported a net profit of S$1.81 million on a revenue of S$93.4 million for the year ended Dec 31, 2008. However, in view of the weaker demand for semiconductor equipment, these were 85% and 32% lower than those recorded in 2007, although our gross material margin was maintained at 62.1%.

The Group is cash positive, with a cash and cash equivalent of S$19.1 million for FY2008 versus S$21.4 million in FY07. This decline was mainly due to capital expenditure on machinery for the new office at 25 Changi North Rise and the building costs for the Group's new facilities in Penang. The lower cash level was also attributed to the Group's acquisition of 39.3 million UMS shares under the Group's share buy-back scheme as well as the payment of dividends to shareholders of S$3.6 million in the first half of FY08.



Our Earnings per Share (EPS) was 0.49 cent in FY08 compared with 3.21 cents in FY07. However our Net Assets Value (NAV) rose to 53.44 cents in FY08 compared to 51.03 cents in FY07.

Performance by Business Segments

Our semiconductor business continues to be the main revenue contributor, accounting for the bulk of the Group's total revenue. Revenue from the semiconductor business stood at S$72.4 million for FY08, down from S$109.8 million in FY07. The lower sales reflected the overall softening of the global semiconductor industry in the current economic climate.

Contract Equipment Manufacturing (CEM) sales for FY08 also eased to S$20.9 million against S$28.4 million in FY07 due to weaker orders from the HDD (hard disk drive) industry. However, we were able to benefit from increased orders from the oil and gas industry despite the marked slowdown in the data storage business.

Performance by Geographical Markets

Geographically, the United States contributed 73% or S$68.0 million of the Group's revenue in FY2008. This was 31.7% less than the S$99.6 million revenue registered in FY07 owing to the global slowdown in the semiconductor industry.

However, revenue contribution from Malaysia rose by 80.2% from S$4.74 million in FY07 to S$8.55 million in FY2008 reflecting the rise in orders from a key customer, as well as the increase in transfer of high volume businesses to Penang. Revenue contributions from Singapore dipped by 49.2% to S$10.8 million in FY08 from S$21.3 million in FY07. While the higher volume businesses were relocated to Penang, our facilities in Singapore will continue to focus on high-end projects for the semiconductor and oil and gas industry.

Prospects and going forward

Given the current economic indicators, the global outlook remains uncertain.

Andy Luong (Mr.)
Chief Executive Officer

"With our stable financial position and low gearing, we are well placed to seize opportunities for growth in the long term."

However, the Group intends to leverage on its sound fundamentals that, short of any unforeseen circumstances, will allow it to see through this economic crisis.

One of our key strengths is our ability to deliver unique client value. Although we head into uncertain economic times, businesses in due course will continue to invest in processes and products. They will therefore seek to work with partners like us that can provide comprehensive solutions that meet their demands to increase productivity without increasing costs. In this regard, we will benefit as we are able to deliver high quality, reliability and excellent service within budgeted time and costs.

Our financial strength and flexibility will also put us in a good position to expand our market share. With our stable financial position and low gearing, we are well placed to seize opportunities for growth in the long term.

We are also well poised to benefit from the continued strong business relationship with one of our key customers, that is strengthening its presence in Singapore and Asia and our new Penang facility will enable us to easily ramp up our production capacity.

We will also balance our product portfolio with more contracts from a wider range of industries such as the oil and gas sector to mitigate the impact of the soft semiconductor industry.

Rewarding shareholders

In line with our practice to reward shareholders for their unwavering support, the Board is proposing a final dividend of half a cent per share (with a one-tier tax exemption) for FY08.

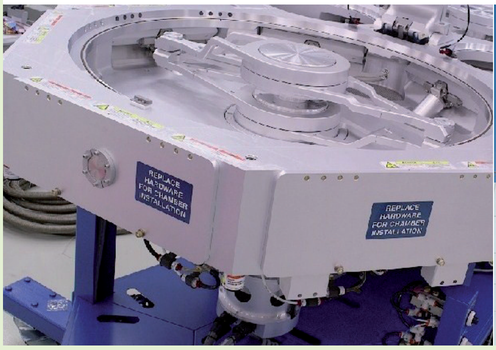
Acknowledgement and Appreciation

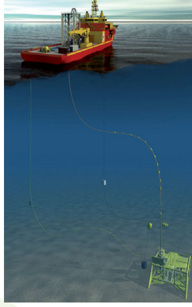
Finally, on behalf of the Board and staff of UMS Holdings, we would like to extend our thanks and appreciation to our shareholders, customers and business associates for their continued support and commitment towards the Group.

We would also like to especially thank our past Board members – Mr. Tan Tor Howe, Mr. Lim How Teck and Mr. Ho Sing – for their support and contributions to the Company during the past years.

Soh Gim Teik (Mr.)
Chairman

Andy Luong (Mr.)
Chief Executive Officer

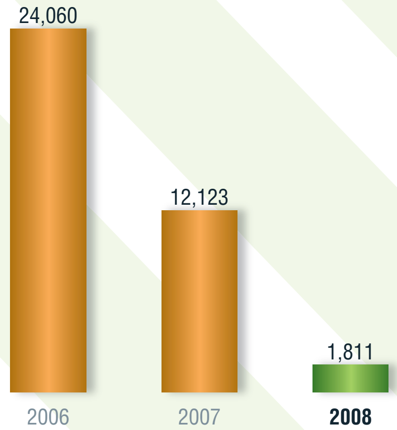




FINANCIAL HIGHLIGHTS

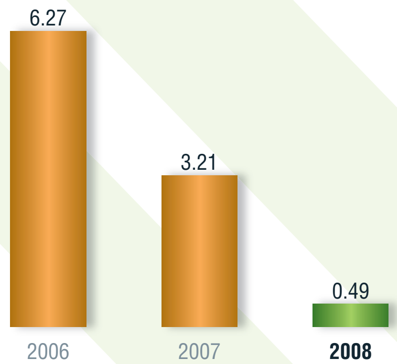
Revenue
(in S$ '000)

Net Profit
(in S$ '000)



NAV Per Share
(in cents)

Basic Earnings Per Share
(in cents)



OPERATIONS REVIEW

UMS has maintained its profitability despite harsh economic conditions and the global slowdown in the semiconductor industry in 2008. The Group posted consistent gross material margin growth and low gearing position while remaining cash positive through the year.

Review of Semiconductor Business

The Group's core business in semiconductor stayed profitable despite softer sales. Revenue from the semiconductor business stood at S$72.4 million, or 77.6% of the Group's total revenue for FY08, down from S$109.8 million in FY07. The lower sales reflected the overall softening of the global semiconductor industry in the current economic climate.

While the overall market conditions were challenging, we continue to remain close to our key customers and long-time business partners in Singapore and overseas. We have enhanced our level of efficiency and reliability in delivering high quality products and services. Our work processes have also been reorganized and streamlined to lower costs and speed up delivery to our customers, thereby retaining our competitive edge in the market.

Review of CEM Business

CEM sales for FY08 also slipped to S$20.9 million against S$28.4 million in FY07 due to weaker orders from the HDD (hard disk drive) industry. However, we were able to benefit from increased orders from the oil and gas industry despite the marked slowdown in the data storage business.

New Business – Oil and Gas

The Group continued to make further strides in the oil and gas sector. Since moving into our new UMS facility in February 2008, we have been able to do complex parts and sub assemblies in the oilfield service equipment industry. This is in line with our long-term strategy to develop our Singapore business as an R&D centre for higher value-added products and services.

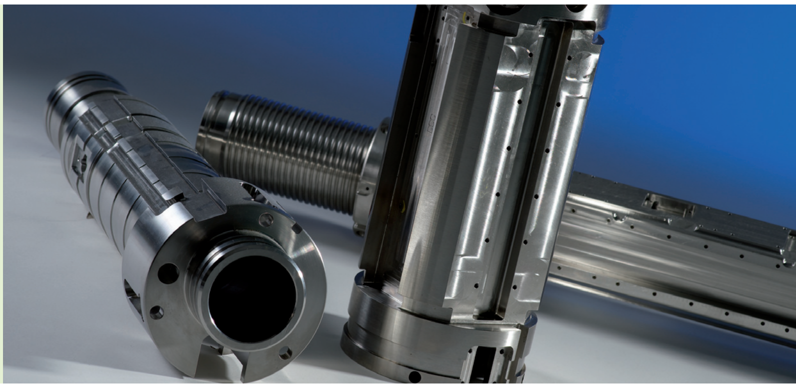
The energy and oil and gas sector in Singapore remains robust, and Asia is likely to see rapid development and growth over a five-year period until 2012. With S$69.5 billion also expected to be invested in oil and gas projects in the region, UMS stands to benefit from this sector.

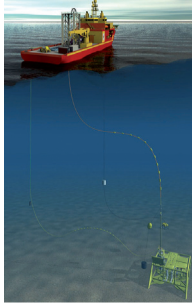
Review of Geographical Markets

Singapore

Revenue from Singapore's operations had fallen 49.2% from S$21.3 million in FY07 to S$10.8 million in FY08 due to slower demand for semiconductor equipment. We are enhancing our efforts to secure more contracts and manufacture more high-end products, particularly for the Oil and Gas sector to expand our revenue base.

The energy and oil and gas sector in Singapore remains robust, and Asia is likely to see rapid development and growth over a five-year period until 2012.





United States

Our US market continued to make up the bulk of the Group's revenue. It contributed S$68.0 million in FY08, 31.7% lower than the previous corresponding period, owing to the current market conditions and slowdown in the global semiconductor industry.

Malaysia

Revenue from Malaysia grew 80.2% to S$8.5 million for the whole of FY08 due to rising orders from a key customer, as well as the rise in transfer of high volume businesses to Penang.

This high revenue increase mirrors the Group's vision of focusing the bulk of its production there, with Singapore serving as its corporate HQ, R&D, and other higher value-added operations.

China and Other Regions

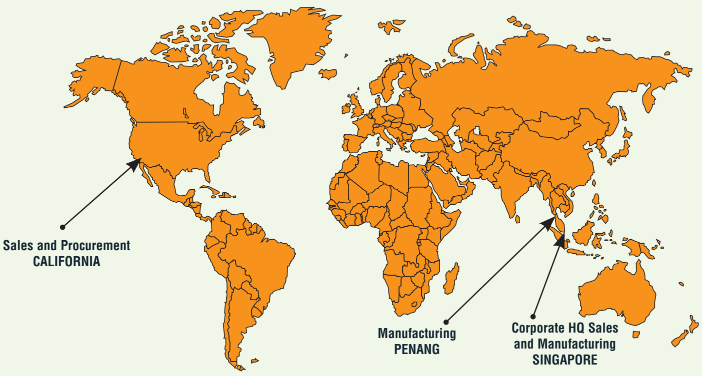
With the disposal of UMS Technology Pte Ltd in September 2008, our operations in China and other regions fell 52.7% to S$5.98 million in FY078, against S$12.6 million in the previous corresponding period.

This disposal was in line with our Group strategy to focus our high-volume production operations in Malaysia.

2009 Outlook

The outlook for our core business sectors remains uncertain. However, the Group intends to leverage on its key strengths in production quality, excellent delivery and high service standards to further strengthen our long-standing relationships with our key customers.

We believe that with our positive financial position and low gearing, we are well placed against our competitors to ride out the economic downturn and take advantage of growth opportunities in the foreseeable future.



Revenue from Malaysia grew 80.2% to S$8.5 million for the whole of FY08 due to rising orders from a key customer, as well as the rise in transfer of high volume businesses to Penang.

BOARD OF DIRECTORS

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 serves as the Audit Committee Chairman of several 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}.

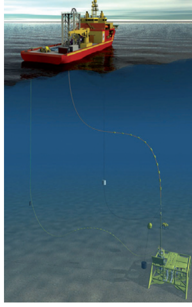
2. Andy Luong

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 more than 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.



3. 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 degree in Mechanical Engineering, he had previously worked in North Malaya Engineering Sdn Bhd and Limbongan Batu Maung Sdn Bhd between 1980 and 2006.

4. Neo Ban Chuan
Independent Director

Mr. Neo Ban Chuan was appointed as an Independent Director of the Company on 16 July 2008.

Mr. Neo was the Head of Restructuring at one of the Big Four accounting firm before he retired in 2007. After he retired, he set up BC Neo Business Advisory Pte Ltd. Mr. Neo has been in the Restructuring business for close to 30 years and had managed a diverse portfolio where highly specialised skill sets are required in the administration of an array of appointments involving judicial management, receivership, both compulsory Court-ordered and voluntary liquidation, corporate turnaround/ restructuring and business advisory services.

Mr. Neo has been involved in the overall conduct of numerous liquidation, receivership and judicial management type assignment and is intimately familiar with the legislative and regulatory requirements expected of these assignments. He is a well regarded personality in the insolvency practice circle.

5. N. Sreenivasan

Independent Director

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

Mr. Sreenivasan has 22 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.

6. Goh Kah Ling
Executive Director

Mr Goh Kah Ling was appointed as an Executive Director of the Company on 16 July 2008.

Mr. Goh Kah Ling joined the UMS Group in April 2006 as Vice President of Operations for semicon division. He has extensive experience in electronics, metal, plastic and food manufacturing, and managing offshore operations.

MANAGEMENT TEAM

1. Andy Luong

Chief Executive Officer

Mr. Andy Luong, the Founder of UMS Holdings, has been the Group's Chief Executive Officer since January 2005. He currently holds 110,130,727 ordinary shares in the Group.

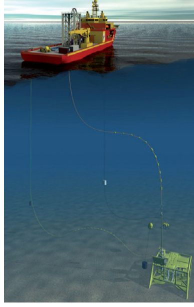
Mr. Luong has more than 20 years of experience in manufacturing front-end semicon components. He acquired his machining skills through his experience working in his family's machining business in Vietnam. He emigrated to the USA from Vietnam in 1979 and shortly after college, started a precision machining 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. Prior to her appointment, she was the Vice President of Sales & Marketing of the Group. Mrs. Luong is responsible for the daily operations of the Group and managing the Group's marketing and business development efforts.

She has more than 20 years of experience in engineering and marketing and began her career with Avantek, Inc. as an engineering assistant before joining Long's Manufacturing, Inc in 1989.



3. Goh Kah Ling

Vice President, Operations

Mr. Goh Kah Ling joined the UMS Group in April 2006 as Vice President of Operations for the semiconductor division. His responsibilities later expanded to cover the entire UMS Group operations. He reports to the Chief Operating Officer.

He has extensive experience in electronics, metal, plastic and food manufacturing, and managing offshore operations. He holds a Diploma in Electronics.

4. Loh Meng Chong, Stanley

Group Financial Controller

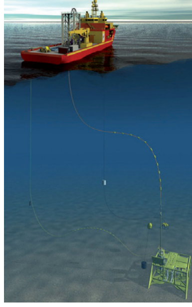
Mr. Stanley Loh joined the Company on 5 September 2008 as the Group's Financial Controller. He has more than 17 years of experience in finance, accounting, treasury and auditing. Before joining the Company, he held several controllership positions in trading and manufacturing organizations.

A Certified Public Accountant from the Institute of Certified Public Accountants of Singapore since 1995, he is responsible for the overall financial, accounting, tax, treasury, corporate finance and compliance matters of the Group.

GROUP STRUCTURE

- **UMS Holdings Limited**
  - 100% UMS Systems Pte Ltd (Singapore)
  - 100% UMS International Pte Ltd (Previously known as Norelco Centreline International Pte Ltd) (Singapore)
    - 100% Norelco Centreline (KL) Sdn. Bhd* (Malaysia)
    - 100% Ultimate Manufacturing Solutions (M) Sdn. Bhd (Malaysia)
    - 100% Norelco Centreline (Hong Kong) Pte Limited (Hong Kong)
  - 100% NCS Engineering Pte Ltd (Singapore)
  - 100% UMS Semiconductor Pte Ltd (Singapore)
    - 100% UMS Solution Pte Ltd (Singapore)
  - 100% UMS Aerospace Pte Ltd (Singapore)
  - 100% ASL International Trading, Inc (United States)
  - 100% UMS Solar Pte Ltd (Singapore)
  - 100% Ultimate Machining Solutions (M) Sdn. Bhd (Malaysia)
  - 100% Ultimate Manufacturing Solutions (Suzhou) Co Ltd* (China)

* currently undergoing voluntary liquidation



MILESTONES

2009	Feb, Penang Hub in operation
2008	Feb, Grand opening ceremony of Aerospace facility
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 87,000 ft^2 aerospace facility.
2006	Aug, Incorporated UMS Aerospace Pte. Ltd. Announcement of US$20 million investment on new facility & equipment.
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
NCS Engineering Pte Ltd
UMS International Pte Ltd
23 Changi North Crescent
Changi North Industrial Estate
Singapore 499616
Tel: (65) 6543 2272
Fax: (65) 6542 9979
Email: enquiries@umsgroup.com.sg
Website: http://www.umsgroup.com.sg

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3806 Central Plaza
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Fax: (65) 6542 9979
Email: enquiries@umsgroup.com.sg
Website: http://www.umsgroup.com.sg

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ASL International Trading, Inc
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Fremont , CA 94539-6104
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Email: enquiries@umsgroup.com.sg
Website: http://www.umsgroup.com.sg

MALAYSIA

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Ultimate Machining Solutions (M) Sdn. Bhd.
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Seberang Perai Tengah 14100
Simpang Empat
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Malaysia
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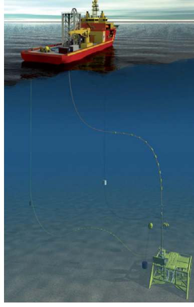
Fax: (604) 507 0676
Email: enquiries@umsgroup.com.my
Website: http://www.umsgroup.com.my

CORPORATE GOVERNANCE REPORT



The Board and Management of UMS Holdings Limited (the "Company") is committed to maintaining high standards of corporate governance and practices that are essential to protect the interest of shareholders. Excellence in corporate governance will not only enhance and safeguard the interest of all our stockholders, it will also foster the stability and sustainability of the Group's performance that is crucial in the building of long-term shareholders' value.

This report describes the Group's corporate governance policies and processes with reference to the Code of Corporate Governance 2005 (the 'Code'). The Board is pleased to confirm that for the financial year ended 31 December 2008, the Company has generally adhered to the principles and guidelines of the Code and any deviations will be specified in this report.

The Board's Conduct of its Affairs – Principle 1

The Board comprises six Directors at the end of the year 2008, four 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 Company to meet its objectives. It also establishes a framework of prudent and effective controls which enable risks to be assessed and managed. In addition, it reviews management performance, set the 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 of 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:

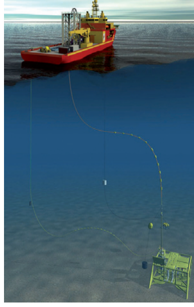
- Audit Committee ("AC")
- Nominating Committee ("NC")
- Remuneration Committee ("RC")

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 Board 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 2008 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 # * (Resigned on 2 May 2008)	5	1	4	1	3	1	3	2
Mr Tan Tor Howe # (Resigned on 2 May 08)	5	1	4	1	3	1	3	1
Mr Ho Sing # * (Resigned on 7 July 2008)	5	3	4	2	N.A	1	N.A	2
Mr Oh Kean Shen # *	5	4	4	3	3	2	3	2
Mr Soh Gim Teik #* (Appointed on 15 February 2008)	5	5	N.A	N.A	N.A	N.A	N.A	N.A
Mr N. Sreenivasan #* (Appointed on 1 March 2008)	5	4	4	3	3	2	3	1
Mr Neo Ban Chuan #* (Appointed on 16 July 2008)	5	2	4	2	3	1	3	1
Mr Goh Kah Ling + (Appointed on 16 July 2008)	5	2	N.A	N.A	N.A	N.A	N.A	N.A

+ Executive Director
# Non-Executive Director
* Independent Director



On 15 February 2008, Mr Luong Andy stepped down as the Company's Chairman and Mr Soh Gim Teik was appointed as the Independent Non-Executive Chairman of the Company. The separation of the two roles is in accordance with the Code and it will bring the Board processes to a higher level as it is more conducive to a better supervision of management by the Board.

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

On 16 July 2008, Mr Neo Ban Chuan was appointed as an Independent Director of the Company and Mr Goh Kah Ling was appointed as an Executive 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, briefing and orientation 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 2008, the Board comprises six directors. The Chief Executive Officer ('CEO") is one of two Executive Directors 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.

Four Directors out of the total Board of six 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 non-executive and independent Directors would bring a broader view with independent judgment on issues for the Board's deliberations.

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, legal, business or management experience, industry knowledge, strategic 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. The Company has adhered to the recommendation of the Code by appointing Mr Soh Gim Teik as the Chairman on 15 February 2008. Mr Luong Andy remained as the CEO of the Company.

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

As a Chairman, Mr Soh Gim Teik'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.

Board Membership – Principle 4

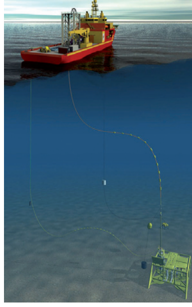
Guideline 4.1 – Composition of Nominating Committee

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 Oh Kean Shen. On 2 May 2008, Mr N. Sreenivasan and Mr Ho Sing were appointed as members of the NC to replace Mr Lim How Teck and Mr Tan Tor Howe, who resigned on 2 May 2008. On 16 July 2008, Mr Neo Ban Chuan was appointed as a member of the NC to replace Mr Ho Sing, who resigned on 7 July 2008. The present members of the NC and it's roles are as follows:

Name	Role in NC	Role In Board
Mr N. Sreenivasan	Chairman (Appointed on 2 May 2008)	Independent and Non-Executive Director
Mr Neo Ban Chuan	Member (Appointed on 16 July 2008)	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	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.

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 administer, attend and prepare the minutes of all Board and Committee meetings and assist the Chairman in implementing and strengthening corporate governance practices and processes. The Company 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.

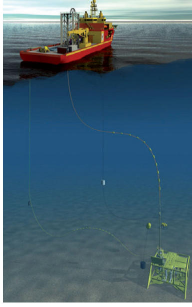
Procedures For Developing Remuneration Policies – Principle 7

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 N. Sreenivasan	Chairman (Appointed on 16 July 2008))	Independent and Non-Executive Director
Mr Ho Sing	Chairman (Resigned on 7 July 2008))	Independent and Non-Executive Director
Mr Lim How Teck	Member (Resigned on 2 May 2008)	Independent and Non-Executive Director
Mr Tan Tor Howe	Member (Resigned on 2 May 2008)	Non-Executive Director
Mr Neo Ban Chuan	Member (Appointed on 16 July 2008)	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director

Mr N. Sreenivasan was appointed as a member of the RC with effect from 2 May 2008 in place of Mr Lim How Teck and Mr Tan Tor Howe, who have resigned on 2 May 2008. Mr N. Sreenivasan was appointed as chairman of RC on 16 July 2008 in place of Mr Ho Sing, who has resigned on 7 July 2008. Mr Neo Ban Chuan was appointed as a member of RC on 16 July 2008.



The RC members comprise entirely of Non-Executive and independent Directors. 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 director's fees, salaries, allowances, bonuses, options and benefits in kind) for the Board and key executives. If necessary, the RC will seek expert advice inside and/or outside the company on remuneration of all directors.
- Review the adequacy and form of compensation of executive directors to ensure that the compensation realistically commensurate with the responsibilities and risks involved in being an effective executive director;
- The performance-related elements of remuneration are designed to align interest of executive directors with those of shareholders and link rewards to corporate and individual performance. There is an appropriate and meaningful measures for the purpose of assessing executive directors' performance;
- Recruiting executive directors of the Company and determining their employment terms and remuneration;
- Positioning the Company's executive remuneration package relative to other companies or its competitors;
- Reviewing and recommending to the Board the terms of renewal for those executive directors whose current employment contracts have expired;
- Ensuring adequate disclosure in the directors' remuneration as required by regulatory bodies such as the Singapore Stock Exchange;
- Overseeing the payment of fees to non-executive directors.

Level and Mix of Remuneration – Principle 8

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

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

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

Executive Directors:

Executive Directors receive 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.

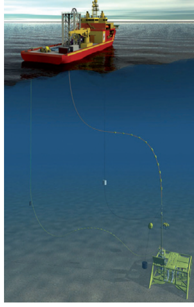
Disclosure on Remuneration – Principle 9

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 2008 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 [1]	0%	0%	0%	0%	100%	100%
Mr Tan Tor Howe [2]	0%	0%	0%	0%	100%	100%
Mr Ho Sing [3]	0%	0%	0%	0%	100%	100%
Mr Soh Gim Teik	0%	0%	0%	0%	100%	100%
Mr N. Sreenivasan	0%	0%	0%	0%	100%	100%
Mr Neo Ban Chuan	0%	0%	0%	0%	100%	100%
Mr Oh Kean Shen	0%	0%	0%	0%	100%	100%



Name of Director	Salary	Bonus	Allowances	Central Provident Fund Contribution	Directors Fees	Total
	%	%	%	%	%	%
Executive Directors						
S$ 250,000 to S$499,999						
Mr Luong Andy	81%	6%	11%	2%	0%	100%
Below S$250,000						
Mr Goh Kah Ling	78%	13%	7%	2%	0%	100%

1: Mr Lim How Teck had resigned on 2 May 2008 (Pro-rated)
2: Mr Tan Tor Howe had resigned on 2 May 2008 (Pro-rated)
3: Mr Ho Sing had resigned on 7 July 2008 (Pro-rated)

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 2008 is set out below:

Name of Key Executive	Salary	Allowances	Bonus	Central Provident Fund Contribution	Total
	%	%	%	%	%
S$ 250,000 to S$ 499,999					
Sylvia SY Lee Luong[1]	83%	8%	7%	2%	100%
Kay Tan Kian Hong	89%	0%	6%	5%	100%
Below S$150,000					
Stanley Loh Meng Chong[2]	87%	8%	0%	5%	100%
Terence Yeo Bak Woo	79%	6%	7%	8%	100%
Gobinath A/L Gunaselan	82%	8%	6%	4%	100%

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

2: Mr. Stanley Loh was appointed as the Group Financial Controller on 5 September 2008 in place of Mr John Liang Jun Howe, who resigned on the same date.

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.

During the financial year, 39,661 treasury shares of the Company were re-issued at the exercise price of S$0.49, upon the exercise of the 15 March 2007 restricted share awards.

Accountability – Principle 10

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

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

Audit Committee – Principle 11

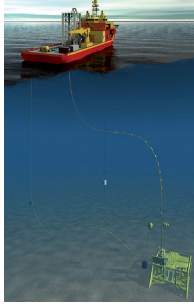
The Audit Committee ("AC") comprises the following members:

Name	Role in AC	Role In Board
Mr Neo Ban Chuan	Chairman (Appointed as Chairman on 16 July 2008)	Independent and Non-Executive Director
Mr Lim How Teck	Chairman (Resigned on 2 May 2008)	Independent and Non-Executive Director
Mr N. Sreenivasan	Member (Appointed as Chairman on 2 May 2008 and appointed as Member on 16 July 2008)	Independent and Non-Executive Director
Mr Tan Tor Howe	Member (Resigned on 2 May 2008)	Non-Executive Director
Mr Ho Sing	Member (Resigned on 7 July 2008)	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director

Mr N. Sreenivasan was appointed as Chairman of the AC with effect from 2 May 2008 in place of Mr Lim How Teck, who has resigned on 2 May 2008. On 16 July 2008, Mr Neo Ban Chuan was appointed as Chairman of the AC, in place of Mr N. Sreenivasan. Mr N. Sreenivasan remained as a member of the AC.

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 and external auditors, the audit plan, including the nature and scope of the audit and its cost effectiveness before the audit commences;
- Review with the internal 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 auditors;
- Reviewing any significant financial reporting issues, judgment 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") and KPMG Singapore Risk Advisory Services ("KPMG"). The IA reports to the Audit Committee. D&T and KPMG are 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.

Finance Committee

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

The purpose of 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 necessary remedial actions that were recommended by the internal auditors and external independent auditors in order to enhance certain internal control procedures. As the issues were satisfactorily resolved during the year, a separate Finance Committee was no longer required. The committee was thus dissolved during the year.

Communication with Shareholders – Principles 14 and 15

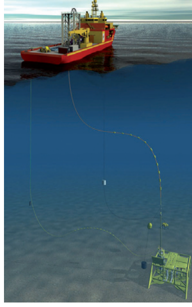
The Board's policy is that shareholders and the public should be equally and timely informed of all major developments that may impact materially on the Company.

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:-

- Ensure 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;
- 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.

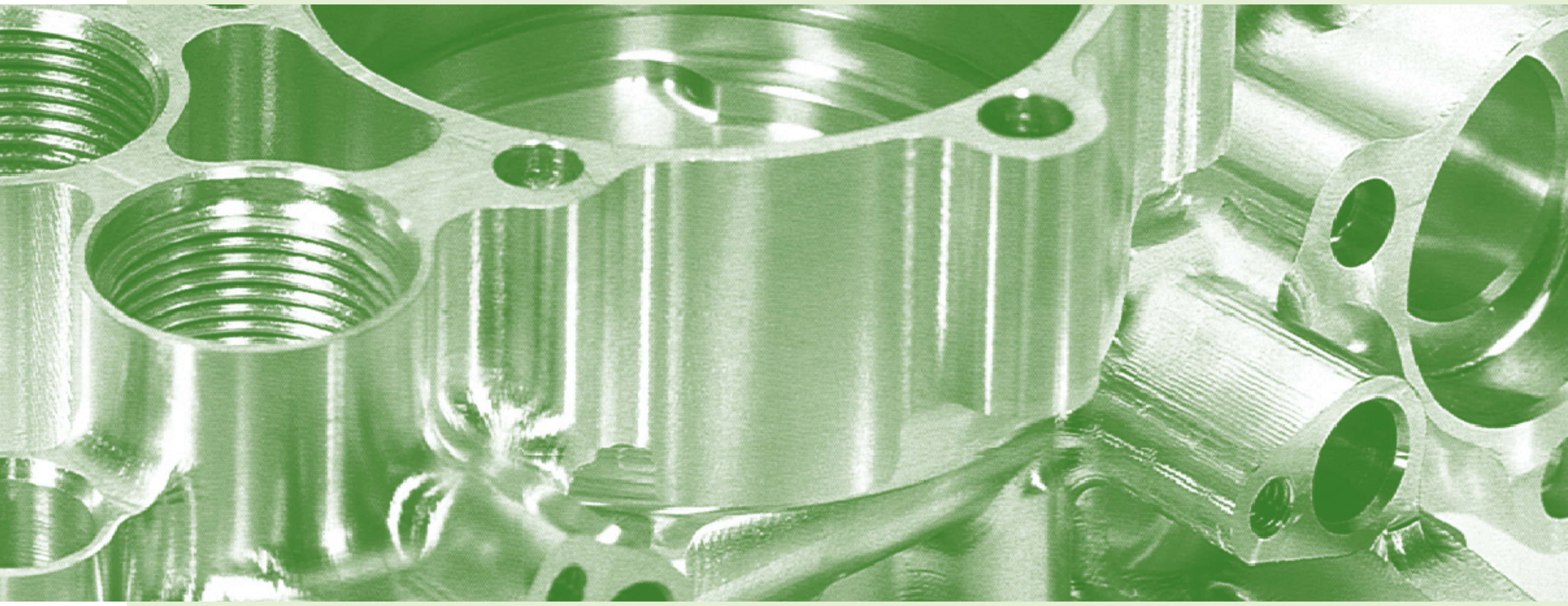
DEALING IN SECURITIES

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

REPORT OF THE DIRECTORS

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 2008, the balance sheet of the Company as at 31 December 2008 and statement of changes in equity of the Company for the year ended 31 December 2008.

1 Directors

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

Mr Luong Andy	
Mr Goh Kah Ling	*(Executive Director - Appointed on 16 July 2008)*
Mr Oh Kean Shen	*(Independent Director)*
Mr Soh Gim Teik	*(Independent Director)*
Mr N. Sreenivasan	*(Independent Director)*
Mr Neo Ban Chuan	*(Independent Director - Appointed on 16 July 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	104,628,727	110,130,727	–	–

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 director's interests as at 21 January 2009 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.

5 Options to Take Up Unissued Shares

During the financial year, no option to take up unissued shares in the Company or any corporation in the Group was granted.

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.

7 Unissued Shares Under Option

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

8 Shares Outstanding

In 2007, the Company set up the 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:

Mr N. Sreenivasan (Chairman)
Mr Neo Ban Chuan
Mr 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 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.

8 Shares Outstanding (cont'd)

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 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		

During the financial year, 39,661 treasury shares of the Company were re-issued at the exercise price of S$0.49, upon the exercise of the 15 March 2007 restricted share awards.

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		

The number of unissued shares of the Company in relation to the share awards outstanding at the end of the financial year was as follows:

Date of grant	Number of shares	Vesting date	Fair value S$
RSP:			
15 March 2007	628,333	1 April 2009	0.485
15 March 2007	628,334	1 April 2010	0.480
	1,256,667		
PSP:			
15 March 2007	200,000	1 April 2010	0.480
	1,456,667		

9 Audit Committee

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

Mr Neo Ban Chuan (Chairman)
Mr N. Sreenivasan
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 LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the Company.

10 Independent Auditors

Moore Stephens was converted to Moore Stephens LLP, a limited liability partnership with effect from 1 July 2008. Accordingly, Moore Stephens LLP, Certified Public Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

LUONG ANDY GOH KAH LING

Singapore
24 March 2009

STATEMENT OF DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 36 to 87 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 2008, and of the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company 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

GOH KAH LING

Singapore
24 March 2009

We have audited the accompanying financial statements of UMS Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 87, which comprise the balance sheets of the Group and the Company as at 31 December 2008, and the consolidated income statement, the statements of changes in equity of the Group and the Company and consolidated cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

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 a 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 2008 and the results of the Group, changes in equity of the Group and the Company 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 LLP
Public Accountants and
Certified Public Accountants

Singapore
24 March 2009

CONSOLIDATED INCOME STATEMENT For the Financial Year Ended 31 December 2008

	Note	Group 2008 S$'000	2007 S$'000
Revenue	4	93,372	138,216
Finance income	5	55	185
Finance expense	6	(4,971)	(6,799)
Changes in inventories		937	4,813
Raw material purchases and subcontractor charges		(36,280)	(67,272)
Employee benefits expense	7	(19,782)	(25,530)
Depreciation expense	14, 17, 18	(12,972)	(10,831)
Other expenses	8	(14,730)	(15,085)
Other charges	9	(2,823)	(6,105)
Profit before income tax		2,806	11,592
Income tax (expense)/credit	10	(995)	531
Net profit for the year		1,811	12,123
Basic earnings per share	11	0.49 cent	3.21 cents
Diluted earnings per share	11	0.49 cent	3.06 cents
Final and special exempt (one-tier) dividend paid (for the years ended 31 December 2007 and 2006 respectively)	31	1.00 cent	2.35 cents

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS As at 31 December 2008

	Note	Group 2008 S$'000	Group 2007 S$'000	Company 2008 S$'000	Company 2007 S$'000
ASSETS					
Current Assets					
Cash and cash equivalents	12	19,111	21,356	362	540
Trade and other receivables	13	9,872	22,582	10,942	12,763
Inventories	14	30,925	29,988	–	–
		59,908	73,926	11,304	13,303
Assets classified as held for sale	15	–	10,702	–	–
Total Current Assets		59,908	84,628	11,304	13,303
Non-Current Assets					
Investments in subsidiaries	16	–	–	138,986	138,985
Property, plant and equipment	17	86,313	72,434	–	–
Investment property	18	3,398	3,535	–	–
Financial assets, held-to-maturity	19	5,075	5,041	–	–
Club membership	20	–	53	–	–
Goodwill	21	80,702	81,495	–	–
Other long-term loan receivable	22	–	–	1,265	1,865
Total Non-Current Assets		175,488	162,558	140,251	140,850
Total Assets		235,396	247,186	151,555	154,153
LIABILITIES AND EQUITY					
Current Liabilities					
Short-term borrowings	23	7,323	–	–	–
Trade and other payables	24	28,338	39,899	3,073	3,108
Income tax payable		644	60	63	10
Current portion of long-term borrowings	25	–	1,934	–	267
Current portion of finance lease obligation	26	1,959	8	–	–
Total Current Liabilities		38,264	41,901	3,136	3,385
Non-Current Liabilities					
Deferred tax	10	3,683	2,995	1	–
Long-term borrowings	25	–	278	–	–
Finance lease obligation	26	2,968	4	–	–
Long-term provision	27	1,200	1,200	–	–
Total Non-Current Liabilities		7,851	4,477	1	–
Total Liabilities		46,115	46,378	3,137	3,385
Capital and Reserves					
Share capital	28	152,822	155,981	152,822	155,981
Treasury shares	28	(13,496)	(7,883)	(13,496)	(7,883)
Reserves	30	(1,154)	(203)	68	124
Retained earnings		51,109	52,913	9,024	2,546
Total Equity		189,281	200,808	148,418	150,768
Total Liabilities and Equity		235,396	247,186	151,555	154,153

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY For the Financial Year Ended 31 December 2008

	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							
2008							
Balance at 1 January 2008	155,981	(7,883)	56	145	(404)	52,913	200,808
Foreign currency translation on intercompany loans	–	–	–	–	(805)	–	(805)
Foreign currency translation differences	–	–	–	2	4	–	6
Income/(loss) recognised directly in equity	–	–	–	2	(801)	–	(799)
Net profit for the year	–	–	–	–	–	1,811	1,811
Income/(loss) recognised for the year	–	–	–	2	(801)	1,811	1,012
Disposal of a subsidiary	–	–	–	(96)	–	–	(96)
Cancellation of shares	(3,159)	257	–	–	–	–	(2,902)
Share-based payments granted to employees	–	20	(56)	–	–	–	(36)
Purchase of treasury shares	–	(5,890)	–	–	–	–	(5,890)
Dividends paid of 1.00 cent per share (Note 31)	–	–	–	–	–	(3,615)	(3,615)
Balance at 31 December 2008	152,822	(13,496)	–	51	(1,205)	51,109	189,281
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
(Loss)/income 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 31)	–	–	–	–	–	(8,719)	(8,719)
Balance at 31 December 2007	155,981	(7,883)	56	145	(404)	52,913	200,808

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY For the Financial Year Ended 31 December 2008

	Share capital S$'000	Treasury shares S$'000	Capital reserve S$'000	Retained earnings S$'000	Total S$'000
Company					
2008					
Balance at 1 January 2008	155,981	(7,883)	124	2,546	150,768
Net profit for the year	–	–	–	10,093	10,093
Income recognised for the year	–	–	–	10,093	10,093
Cancellation of shares	(3,159)	257	–	–	(2,902)
Share-based payments granted to employees	–	20	(56)	–	(36)
Purchase of treasury shares	–	(5,890)	–	–	(5,890)
Dividends paid of 1.00 cents per share (Note 31)	–	–	–	(3,615)	(3,615)
Balance at 31 December 2008	152,822	(13,496)	68	9,024	148,418
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-based payments 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 31)	–	–	–	(8,719)	(8,719)
Balance at 31 December 2007	155,981	(7,883)	124	2,546	150,768

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT For the Financial Year Ended 31 December 2008

	Note	2008 S$'000	2007 S$'000
Cash Flows from Operating Activities			
Net profit before income tax		2,806	11,592
Adjustments for:			
Depreciation expense		12,972	10,831
Property, plant and equipment written off		850	–
Goodwill written off		793	–
Impairment loss on property, plant and equipment	17	168	–
Gain on disposal of assets classified as held for sale		(1,816)	–
(Gain)/loss on disposal of property, plant and equipment		(19)	371
Loss on disposal of subsidiary	(C)	718	–
Interest income		(55)	(185)
Interest expense		467	350
Unrealised foreign exchange adjustment (gains)/losses		(6,716)	5,979
Operating cash flows before working capital changes		10,168	28,938
Changes in operating assets and liabilities:			
Trade and other receivables		14,939	2,470
Inventories		(937)	(4,813)
Trade and other payables		(10,707)	1,681
Cash generated from operations		13,463	28,276
Income tax refunded/(paid)		308	(557)
Net cash generated from operating activities		13,771	27,719
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		82	123
Purchase of property, plant and equipment	(B)	(21,059)	(17,707)
Proceeds from sale of/(purchase of) club membership		53	(53)
Proceeds from disposal of assets classified as held for sale		7,000	–
Proceeds from disposal of subsidiary company	(C)	4,104	–
Purchase of financial assets, held-to-maturity	19	–	(5,041)
Interest received		55	185
Net cash used in investing activities		(9,765)	(22,493)
Cash Flows from Financing Activities			
Share buy back and cancelled		(2,902)	–
Proceeds from/(repayment of) borrowings		5,112	(6,955)
Dividends paid	31	(3,615)	(8,719)
Purchase of treasury shares		(5,890)	(4,778)
Finance lease obligation, net		2,789	(8)
Fixed deposit - restricted		(176)	(39)
Interest paid		(467)	(350)
Net cash used in financing activities		(5,149)	(20,849)
Net effect of exchange rate changes		(1,278)	(234)
Net decrease in cash and cash equivalents		(2,421)	(15,857)
Cash and cash equivalents at the beginning of the year		21,227	37,084
Cash and cash equivalents at the end of the year	(A)	18,806	21,227

The accompanying notes form an integral part of the financial statements

A. Cash and Cash Equivalents

For the purpose of presenting the consolidated cash flow statement, the consolidated financial cash and cash equivalents comprise the following:

	Group	
	2008	2007
	S$'000	S$'000
Cash and cash equivalents (Note 12)	19,111	21,356
Less: Fixed deposit – restricted in use (Note 12)	(305)	(129)
Cash and cash equivalents per consolidated cash flow statement	18,806	21,227

B. Property, Plant and Equipment

	Group	
	2008	2007
	S$'000	S$'000
Purchase of property, plant and equipment:		
Cost of property, plant and equipment purchased	29,142	29,752
Amounts unpaid	(5,957)	(12,045)
Purchases under finance lease obligation	(2,126)	–
Net cash disbursed	21,059	17,707

C. Disposal of Subsidiary

The attributable net assets of a subsidiary disposed of during the year ended 31 December 2008 were as follows:

	2008
	S$'000
Assets classified as held for sale	5,399
Other receivables	371
Cash and bank balances	59
Net assets disposed	5,829
Loss on disposal	(718)
Proceeds from disposal	5,111
Less:	
Other receivables (Note 13)	(1,007)
Net cash inflow from disposal of a subsidiary	4,104

The accompanying notes form an integral part of the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying 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 Luong Andy.

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 2008 were approved and authorised for issue by the board of directors on 24 March 2009.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) and the provisions of the Singapore Companies Act, Cap. 50.

The financial statements, which are expressed in the Singapore dollars, have been prepared on a historical cost basis except as disclosed in the accounting policies below.

(b) New or Revised FRS and Interpretations to FRS (INT FRS)

(i) FRS and INT FRS effective in the current year

The Group has adopted all the new and revised FRS and INT FRS that are mandatory for application in the current financial year and which are relevant to the Group. The adoption of these new and revised FRS and INT FRS has had no impact on the financial statements.

(ii) FRS and INT FRS in issue not yet adopted

At the date of authorisation of these financial statements, the following FRS and INT FRS were in issue and which are relevant to the Group but not yet effective:

FRS 1 (revised)	Presentation of Financial Statements
FRS 23 (revised)	Borrowing Costs
FRS 108	Operating Segments

2 Summary of Significant Accounting Policies (cont'd)

(b) New or Revised FRS and Interpretations to FRS (INT FRS) (cont'd)

FRS 1 (revised)

The revised standard affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs.

The Group will apply the revised FRS 1 from the annual period beginning 1 January 2009. It requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

FRS 23 (revised)

The revised standard removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

The Group will apply the revised FRS 23 from the annual period beginning 1 January 2009. As the Group does not have significant borrowing costs incurred for the construction of any qualifying asset, the revised standard is not expected to have any impact on the financial statements of the Group upon application.

FRS 108

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects the new operating segments to be different from business segments currently disclosed and expects more information to be disclosed under FRS 108.

(c) 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.

2 Summary of Significant Accounting Policies (cont'd)

(c) Basis of Consolidation (cont'd)

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 (z) (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.

(d) Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of a 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.

(e) 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.

(f) 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 non-current assets.

(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.

2 Summary of Significant Accounting Policies (cont'd)

(h) 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.

(i) Investments in Subsidiaries

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

(j) 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.

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) Financial Assets, Held-to-Maturity

Financial assets, held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity. These are presented as non-current assets.

Financial assets, held-to-maturity 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. These are subsequently carried at amortised cost using the effective interest method less impairment.

(m) 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.

(n) 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.

2 Summary of Significant Accounting Policies (cont'd)

(n) Impairment of Non-financial Assets Excluding Goodwill (cont'd)

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.

(o) 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.

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.

(p) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. 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.

(q) Trade and Other Payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2 Summary of Significant Accounting Policies (cont'd)

(r) Provisions

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

(s) 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.

(t) 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.

(u) 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.

(v) 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.

2 Summary of Significant Accounting Policies (cont'd)

(w) 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 realised 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.

(x) 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.

2 Summary of Significant Accounting Policies (cont'd)

(y) 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.

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.

(z) 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.

2 Summary of Significant Accounting Policies (cont'd)

(z) Foreign Currency Translation (cont'd)

(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.

(aa) 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.

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:

3 Critical Accounting Estimates and Judgements (cont'd)

(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 a similar nature and functions. It could change significantly as a result of technical innovations and competitor actions. 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. The carrying amount of the Group's property, plant and equipment and investment property as at 31 December 2008 was S$89,711,587 (2007: S$75,968,342). Further details are given in notes 17 and 18.

(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 2008.

(c) Impairment of Financial Assets, Held-to-Maturity

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 2008, 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 19.

(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 the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2008 was S$80,702,172 (2007: 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 the net realisable 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 an expense for the year. Provision for inventory obsolescence recognised for the financial year ended 31 December 2008 amounted to S$1,892,219 (2007: S$4,163,539).

(g) Finance and Operating Leases

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	
	2008	2007
	S$'000	S$'000
Sale of goods	92,730	136,708
Rendering of services	–	609
Rental income	642	899
	93,372	138,216

5 Finance Income

Finance income represents interest income from cash and cash equivalents.

6 Finance Expense

	Group	
	2008	2007
	S$'000	S$'000
Forward contract losses – net	(4,504)	(6,449)
Interest expense		
- borrowings	(380)	(348)
- finance lease obligation	(87)	(2)
	(4,971)	(6,799)

7 Employee Benefits Expense

	Group	
	2008	2007
	S$'000	S$'000
Salaries and wages	(17,869)	(22,653)
Contributions to defined contribution plans	(1,913)	(2,821)
Expense on share-based payments granted to employees	–	(56)
	(19,782)	(25,530)

8 Other Expenses

	Group	
	2008	2007
	S$'000	S$'000
The major components include the following:		
Utilities	(5,007)	(4,534)
Freight charges	(827)	(1,340)
Rental expense (includes leasing of land)	(1,940)	(1,714)
Upkeep of machinery	(1,672)	(1,154)
Legal and professional fees	(1,203)	(952)
Upkeep of properties	(709)	(586)
Insurance	(235)	(249)

9 Other (Charges)/Credits

	Group 2008 S$'000	Group 2007 S$'000
Property, plant and equipment written off	(850)	–
Provision for impairment of inventories (Note 14)	(1,892)	(4,163)
Foreign exchange losses - net	(82)	(2,024)
Gain on disposal of assets classified as held for sale	1,816	–
Gain/(loss) on disposal of property, plant and equipment	19	(371)
Provision for doubtful debts (Note 13)	(173)	–
Bad debts written off	–	(14)
Bad debts recovered	–	61
Loss on disposal of subsidiary	(718)	–
Goodwill written off	(793)	–
Impairment loss on property, plant and equipment (Note 17)	(168)	–
Others	18	406
	(2,823)	(6,105)

10 Income Tax

	Group 2008 S$'000	Group 2007 S$'000
Current tax:		
- current year	(307)	(146)
Deferred tax:		
- current year	(688)	677
	(995)	531

10 Income Tax (cont'd)

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	
	2008	2007
	S$'000	S$'000
Profit before income tax	2,806	11,592
Tax at the applicable tax rate of 18%	(505)	(2,086)
Tax effect of non-deductible items	(756)	(2,315)
Tax exemptions	1,454	2,967
Effect of change in tax rate	17	1,468
Effect of different tax rates in other countries	(557)	596
Deferred tax assets not recognised	(648)	(99)
	(995)	531

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.

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.

10 Income Tax (cont'd)

The deferred tax assets and liabilities are as follows:

	2007 S$'000	Debited/ (credited) to income statement S$'000	2008 S$'000
Group			
2008			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	3,197	849	4,046
Others	176	18	194
Total deferred tax liabilities	3,373	867	4,240
Deferred tax assets:			
Provision	(1)	(11)	(12)
Tax loss carryforward	(603)	(125)	(728)
Tax loss carryforward used in the Group	538	–	538
Unabsorbed wear and tear allowance	(312)	44	(268)
Others	–	(87)	(87)
Total deferred tax assets	(378)	(179)	(557)
Net deferred tax liabilities	2,995	688	3,683

	2006 S$'000	(Credited)/ Debited to income statement S$'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

As at 31 December 2008, certain subsidiaries had unutilised tax losses of approximately S$4,738,000 (2007: S$1,118,000) 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(y) 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	
	2008	2007
	S$'000	S$'000
Profit for the year attributable to shareholders	1,811	12,123
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	369,737,531	377,684,660
Effect of dilutive potential ordinary shares:		
Weighted average number of Replacement Options	–	18,593,664
Weighted average number of shares under share grant	–	298,813
Weighted average number of ordinary shares for the purpose of diluted earnings per share	369,737,531	396,577,137
Basic earnings per share (cents)	0.49	3.21
Diluted earnings per share (cents)	0.49	3.06

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	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Cash on hand and in banks (i)	18,806	21,227	362	540
Fixed deposit – restricted (ii)	305	129	–	–
	19,111	21,356	362	540

(i) The rate of interest for the cash on interest earning accounts is between 0.1% and 3.4% in 2008 (2007: 0.9% and 3.9%). These approximate the weighted effective interest rate.

(ii) Fixed deposit is pledged as security for the bank guarantee issued.

12 Cash and Cash Equivalents (cont'd)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
Singapore dollar	4,840	7,863	345	539
United States dollar	13,278	10,636	17	1
Malaysian ringgit	696	235	–	–
Euro	–	12	–	–
Japanese yen	40	1,879	–	–
Chinese renminbi	257	730	–	–
Hong Kong dollar	–	1	–	–
	19,111	21,356	362	540

13 Trade and Other Receivables

	Group		Company	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
Trade receivables:				
Third parties	6,824	18,576	20	13
Related parties (Note 32)	61	337	–	–
	6,885	18,913	20	13
Less allowance for impairment	(251)	(78)	–	–
	6,634	18,835	20	13
Other receivables:				
Related parties (Note 32)	–	19	–	–
Subsidiaries (Note 32)	–	–	10,881	12,750
Advance purchases	1,107	3,195	–	–
Prepayments	226	60	41	–
Deposits to secure services	742	194	–	–
Other receivables	1,163	279	–	–
	3,238	3,747	10,922	12,750
	9,872	22,582	10,942	12,763
Movements in allowance for impairment of trade and other receivables are as follows:				
Balance at beginning of the year	78	169	–	–
Allowance for impairment	173	–		
Reversal of allowance for impairment	–	(47)	–	–
Bad debts written off	–	(44)	–	–
Balance at end of the year	251	78	–	–

13 Trade and Other Receivables (cont'd)

The average credit period generally granted to trade receivable customers is about 30 - 90 days in 2008 (2007: 30 - 90 days).

The Group's trade receivables due from third parties includes outstanding receivables amounting to approximately S$3.1 million (2007: S$9.9 million) from a key customer which accounts for approximately 57% (2007: 80%) of the total Group revenue. Key customer concentration may have a significant impact on the Group's financial performance and its ability to continue as a going concern especially in the current economic climate. Management have considered these factors and have assessed that the Group's exposure to this key customer would not have an impact on the Group's financial performance and its ability to continue as a going concern in the foreseeable future.

The amounts receivable from subsidiaries and related companies, which are generally due on 30 to 60 days' terms, are unsecured and interest-free.

As at 31 December 2008, included in other receivables is a receivable from disposal of subsidiary amounting to S$1,007,000.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Singapore dollar	2,124	8,166	10,942	12,763
United States dollar	6,356	13,782	–	–
Malaysian ringgit	1,251	413	–	–
Chinese renminbi	139	221	–	–
Hong Kong dollar	2	–	–	–
	9,872	22,582	10,942	12,763

	Group	
	2008	2007
	S$'000	S$'000
Concentration of trade receivables customers:		
Top 1 customer	3,081	9,941
Top 2 customers	4,891	13,900
Top 3 customers	5,746	14,654

14 Inventories

	Group 2008 S$'000	Group 2007 S$'000
At cost:		
Finished goods and goods for resale	11,933	14,111
Work-in-progress	16,447	13,814
Raw materials	7,823	10,801
	36,203	38,726
Less allowance for impairment	(5,278)	(8,738)
	30,925	29,988
Movements in the allowance for impairment of inventories:		
Balance at the beginning of the year	8,738	4,939
Impairment of inventories	1,892	4,163
Inventories written off	(5,352)	(364)
Balance at end of the year	5,278	8,738

15 Assets Classified As Held for Sale

	Group 2008 S$'000	Group 2007 S$'000
Cost		
At beginning of year	12,237	12,237
Addition	–	–
Disposal	(12,237)	–
At end of year	–	12,237
Accumulated depreciation:		
At beginning of year	1,535	1,197
Depreciation for the year	83	338
Disposal	(1,618)	–
At end of year	–	1,535
Net book value	–	10,702

15 Assets Classified As Held for Sale (cont'd)

In the prior year, 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. Assets classified as held for sale consist of:

(i) factory building in Suzhou, China which was sold in October 2008.

(ii) factory building in Changi South, Singapore which was sold in January 2008.

In the prior year, the assets were included as unallocated assets for segment reporting purposes. See Note 38.

16 Investments in Subsidiaries

	Company	
	2008	2007
	S$'000	S$'000
Unquoted equity shares at cost	139,980	139,979
Less provision for impairment	(994)	(994)
	138,986	138,985

The subsidiaries held by the Company and their subsidiaries are listed below:

Name of subsidiaries, place of business and Incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2008	2007	2008	2007
		%	%	S$'000	S$'000
Held by the Company					
UMS Systems Pte Ltd (Singapore)	Assembly and integration of equipment and automated assembly lines	100	100	9,561	9,561
UMS International Pte Ltd (previously known as 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

16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and Incorporation	Principal activities	Effective percentage of equity held by Group 2008 %	2007 %	Company's cost of investment 2008 S$'000	2007 S$'000
Held by the Company (cont'd)					
UMS Aerospace Pte Ltd (Singapore) *	Precision machining of machine parts for oilfield precision component manufacturers and other industries	100	100	–	–
Ultimate Manufacturing Solutions (Suzhou) Co., Ltd (The People's Republic of China)	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) [1]	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	100	–	–
Ultimate Machining Solutions (M) Sdn. Bhd. (Malaysia) *	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	–	–	–
				139,882	139,882
Add expenses recognised relating to equity settled share-based payments (Note 29)				42	41
Add corporate guarantee given to subsidiaries				56	56
				139,980	139,979
Held through UMS International Pte Ltd					
Norelco Centreline (KL) Sdn. Bhd. (Malaysia) [2]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100		
Ultimate Manufacturing Solutions (M) Sdn. Bhd (Malaysia) [3]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	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		Company's cost of investment	
		2008	2007	2008	2007
		%	%	S$'000	S$'000
Held through UMS International Pte Ltd (cont'd)					
Norelco Centreline (Hong Kong) Pte Limited (Hong Kong) [1]	Investment holding	100	100		
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		
Held through UMS Technology Pte Ltd					
UMS-TQ Technology (Suzhou) Co., Ltd (The People's Republic of China)	Manufacturing and refurbishment of wafer fabrication equipment parts and providing electroplating and anodising services	–	100		

* Less than S$1,000.

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

1 Statutory audit is not required and the subsidiary is considered not significant to the Group.

2 Audited by Horwath, Malaysia. This subsidiary was placed under voluntary liquidation on 3 December 2008.

3 Audited by Moore Stephens, Malaysia.

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					
2008					
Cost					
At beginning of year	4,015	2,788	11,771	108,051	126,625
Foreign exchange adjustment	(612)	(349)	–	(815)	(1,776)
Additions	566	14,138	–	14,438	29,142
Disposals/write-off	–	–	–	(5,218)	(5,218)
Impairment	–	–	–	(726)	(726)
At end of year	3,969	16,577	11,771	115,730	148,047
Accumulated depreciation:					
At beginning of year	–	165	1,529	52,497	54,191
Foreign exchange adjustment	–	(9)	–	(421)	(430)
Depreciation for the year	–	54	285	12,413	12,752
Disposals/write-off	–	–	–	(4,221)	(4,221)
Impairment	–	–	–	(558)	(558)
At end of year	–	210	1,814	59,710	61,734
Net book value:					
At end of year	3,969	16,367	9,957	56,020	86,313
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

17 Property, Plant and Equipment (cont'd)

The Group's freehold and leasehold properties with net book values of S$14,470,950 (2007: S$4,101,258) are pledged to banks to secure the bank loans and banking facilities granted to the Group (Notes 23, 26 and 33).

Plant and equipment with a net book value as at 31 December 2008 of S$6,452,878 (2007: S$20,133) are under finance lease agreements (see Note 26).

18 Investment Property

	Group	
	2008	2007
	S$'000	S$'000
Cost:		
At beginning of year and at end of year	4,100	4,100
Accumulated depreciation:		
At beginning of year	565	429
Addition	137	136
At end of year	702	565
Net book value	3,398	3,535

Investment property pertains to the leasehold property held by a subsidiary under an operating lease to earn rental income. Rental income and direct operating expenses related to the investment property amounted to S$630,422 (2007: S$474,244) and S$332,072 (2007: S$307,267), respectively, as at 31 December 2008. The estimated fair value of the leasehold property amounted to S$10,500,000 (2007: S$5,500,000) as determined on the basis of management's review of similar properties in the market.

19 Financial Assets, Held-to-Maturity – Non-current

	Group	
	2008	2007
	S$'000	S$'000
Unquoted investment, at cost	5,075	5,041

Unquoted investment represents the bifurcated fixed deposit component of a foreign exchange-linked United States Dollar Structured Deposit arrangement with a bank amounting to US$3,500,000. The term of the fixed deposit is 10 years commencing 9 January 2007. 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 CHF1.348. The deposit matures on 9 January 2017.

The Group 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 of the embedded foreign exchange option contract to be nil (2007: nil) as the current spot foreign exchange rate of 1.056 is below the strike price of 1.348, which is out of the money. The fair value of financial assets, held-to-maturity approximates its carrying value.

20 Club Membership

	Group 2008 S$'000	Group 2007 S$'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. The club membership was sold during the year.

21 Goodwill

	Group 2008 S$'000	Group 2007 S$'000
At beginning and end of year	80,702	81,495

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to reporting segment. A segment-level summary of the goodwill is analysed as follows:

	Semiconductor segment 2008 S$'000	Semiconductor segment 2007 S$'000
UMS Semiconductor Pte Ltd	79,778	79,778
Norelco Centreline (KL) Sdn. Bhd.	–	793
Ultimate Manufacturing Solutions (M) Sdn. Bhd.	924	924
	80,702	81,495

The goodwill from Norelco Centreline (KL) Sdn. Bhd. was fully impaired during the year.

The goodwill was tested for impairment on 31 December 2008. The recoverable amount of a CGU is determined based on the value-in-use calculations. The key assumptions for the value-in-use calculations are as follows:

		2008	2007
1.	Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs	10%	10%
2.	Growth rates based on industry growth forecasts	0%-10%	6%-10%
3.	Cash flow forecasts derived from the most recent financial budgets approved by management	5 years	5 years
4.	Gross margin	30%	44%

22 Other Long-Term Loan Receivable

	Company	
	2008	2007
	S$'000	S$'000
Loan to a subsidiary (Note 32)	1,265	1,865

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 5.35% (2007: 5%).

The loan to a subsidiary is not expected to be repaid in the next 12 months. 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.

Other long-term loan receivable is denominated in the functional currency of the Company.

23 Short-Term Borrowings

	Group	
	2008	2007
	S$'000	S$'000
Bank loans		
- unsecured	5,500	–
- secured	1,823	–
	7,323	–

The unsecured bank loans are denominated in Singapore dollar, bears interest ranging from 1.52% to 2.74% (2007: Nil) per annum with corporate guarantee by the Company and with maturities of less than 60 days.

The secured bank loan is denominated in Malaysian ringgit at a rate of 4.95% (2007: Nil) per annum. This loan is secured by a fixed charge over the freehold land and building of a subsidiary.

As at 31 December 2008, the Group is in compliance with the required covenants.

24 Trade and Other Payables

	Group		Company	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Trade payables:				
Third parties	14,283	18,231	751	978
Related parties (Note 32)	6	897	–	–
Financial instruments - derivative contracts (Note 34)	–	6,635	–	–
	14,289	25,763	751	978
Other payables:				
Subsidiaries (Note 32)	–	–	2,322	2,130
Related parties (Note 32)	–	97	–	–
Third parties	1,399	1,086	–	–
Accrued expenses	5,887	5,946	–	
Deposits received	806	1,547	–	–
Payables on purchase of non-current assets	5,957	5,460	–	–
	14,049	14,136	2,322	2,130
	28,338	39,899	3,073	3,108

The average credit period taken to settle non-related trade payables is approximately 60 days in 2008 (2007: 60 days). The other payables are with short-term durations.

The amounts payable to subsidiaries and related companies, which are generally due on 30 to 60 days' terms, are unsecured and interest-free, and are repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Singapore dollar	14,019	18,625	3,073	3,108
United States dollar	4,408	14,263	–	–
Euro	7	–	–	–
Japanese yen	5,691	5,460	–	–
Malaysian ringgit	4,209	1,224	–	–
Chinese renminbi	–	319	–	–
Hong Kong dollar	4	8	–	–
	28,338	39,899	3,073	3,108

25 Long-Term Borrowings

	Group		Company	
	2008	2007	2008	2007
	S$'000	S$'000	S$'000	S$'000
Bank loan – (i)	–	1,945	–	–
Bank loan – (ii)	–	267	–	267
	–	2,212	–	267
Less current portion	–	(1,934)	–	(267)
Non-current portion	–	278	–	–

The bank loans of the Group were as follows:

(i) A three-year bank loan of S$5,000,000 repayable in 36 equal monthly installments commenced from February 2006. It was 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 4.68% to 4.90% (2007: 3.45% to 5.00%) per annum.

(ii) A four-year bank loan of S$1,830,000 repayable in 48 equal monthly installments commenced on July 2004. It was secured by a corporate guarantee from a subsidiary. A fixed rate of interest was charged at a rate of 3.25% (2007: 3.25%) per annum on a monthly rest.

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

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

As at 31 December 2007, the Group was in compliance with the required covenants.

The Group's borrowings were fully settled during the year.

26 Finance Lease Obligation

	Minimum Payments S$'000	Interest S$'000	Present Value S$'000
Group			
<u>2008</u>			
Within 1 year	2,139	(180)	1,959
Within 2 to 5 years	3,068	(100)	2,968
	5,207	(280)	4,927

26 Finance Lease Obligation (cont'd)

	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

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 years. For the year ended 31 December 2008, the rate of interest for finance leases ranges from 2.25% to 4.25% per year (2007: 4.5%). 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.

	Group	
	2008 S$	2007 S$
Singapore dollar	4,899	–
Malaysian ringgit	28	12
	4,927	12

27 Long-Term Provision

	Group	
	2008 S$'000	2007 S$'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.

28 Share Capital

	Group and Company	
	Number of ordinary shares	Share capital S$'000
2008		
Balance at beginning of year	410,139,000	155,981
Cancellation of shares during the year	(16,534,716)	(3,159)
Balance at end of year	393,604,284	152,822
Less treasury shares:		
Balance at beginning of year	16,654,000	7,883
Purchase of treasury shares	23,511,000	5,890
Cancellation of shares during the year	(749,716)	(257)
Treasury shares reissued under the share-based payment granted to employees (Note 29)	(39,661)	(20)
Balance at end of year	39,375,623	13,496
Net balance	354,228,661	139,326
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
Purchase of treasury shares	9,551,000	4,778
Balance at end of year	16,654,000	7,883
Net balance	393,485,000	148,098

There were no issue of shares in the financial year 2008 other than the treasury shares reissued under the share-based payment granted to employee.

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.

28 Share Capital (cont'd)

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 23,511,000 (2007: 9,551,000) of its own shares of no par value through purchases on the Singapore Stock Exchange in 2008 and this has been deducted from equity. The shares are held as "treasury shares". During the financial year, the Company transferred 39,661 treasury shares for the purposes of the UMS Restricted Share Plan. Accordingly, such treasury shares were issued and allotted to its employees pursuant to the awards granted to them under the UMS Restricted Share Plan. In addition, 749,716 treasury shares previously bought back were cancelled. The number of treasury shares after the purchase, cancellation and transfer to the UMS Restricted Shares Plan is 39,375,623. 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.

29 Share-Based Payments

In 2007, the Company set up the 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 Scheme share awards granted shall be settled by the issue of equity instruments.

29 Share-Based Payments (cont'd)

Details of the share awards outstanding as at 31 December 2008 are as follows:

	Number of ordinary shares under share awards					
Date of grant	At beginning of year	Exercised during the year	Forfeited during the year	At end of year	Vesting date	Fair value
RSP:						
15 March 2007	628,333	(39,661)	(588,672)	–	1 April 2008	0.490
15 March 2007	628,333	–	–	628,333	1 April 2009	0.485
15 March 2007	628,334	–	–	628,334	1 April 2010	0.480
	1,885,000	(39,661)	(588,672)	1,256,667		
PSP:						
15 March 2007	200,000	–	–	200,000	1 April 2010	0.480
	2,085,000	(39,661)	(588,672)	1,456,667		

The Company re-issued 39,661 (2007: Nil) treasury shares during the financial year pursuant to the RSP at the exercise price of S$0.49 (2007: Nil) per share.

The Group recognised a total expense of Nil (2007: S$55,697) related to equity-settled share-based payment transactions.

30 Reserves

	Group		Company	
	2008 S$	2007 S$	2008 S$	2007 S$
Capital reserve (a)	–	56	68	124
Statutory reserve (b)	51	145	–	–
Foreign exchange translation reserve (c)	(1,205)	(404)	–	–
	(1,154)	(203)	68	124

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

(a) Capital Reserve

Capital reserve relates to the share-based payments granted to employees as disclosed in Note 29 above.

30 Reserves (cont'd)

(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.

31 Dividends

In respect of the financial year 2007, a final exempt (one-tier) dividend of S$3,615,245, representing approximately S$0.01 per share (2007: S$8,718,021, approximately 2.35 cents per share), was declared, approved and paid during the year.

In respect of the current year, the directors propose that a final exempt (one-tier) dividend of $0.0050 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 2008 is payable in respect of all shares in issue at the balance sheet date, including the new shares issued up to the date the dividend becomes payable.

32 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.

32 Related Party Transactions (cont'd)

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:

	2008 S$'000	2007 S$'000
Sale of goods	(45)	(32)
Payment on behalf for purchases and services	576	1,275
Subcontractor works	670	1,614
Purchase of goods	190	–

Related parties are companies in which Mr Luong Andy (director of the Company) has an interest.

Key management compensation

	Group	
	2008 S$'000	2007 S$'000
Salaries and employee benefits	1,536	1,282

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:

	2008 S$'000	2007 S$'000
Remuneration of directors of the Company	665	343
Fees to directors of the Company	217	170
Remuneration of other directors of subsidiaries	212	213
Staff remuneration to wife of Mr Luong Andy, a director of the Company	322	283

33 Contingent Liabilities

	Group	
	2008	2007
	S$'000	S$'000
Corporate guarantees in favour of subsidiaries	10,399	6,830

34 Financial Instruments - Derivative Contracts

	Group	
	2008	2007
	S$'000	S$'000
Liabilities - derivatives with negative fair values:		
Non-hedging instruments derivative contracts (Note 24)	–	6,635
Movements during the year were as follows:		
Losses included in the income statement (Note 6)	4,504	6,449

Notional amounts of derivative financial instruments

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

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

	Group	
	2008	2007
	S$'000	S$'000
Foreign exchange forward contracts - sell US$/buy Yen	–	56,495
Currency options sold	–	30,205

In the prior year, the expiration dates for the derivative contracts ranged from 10 January 2008 to 29 July 2008. These contracts have been settled in the current year.

35 Capital Commitments

	Group	
	2008	2007
	S$'000	S$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	3,940	15,118

36 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	
	2008	2007
	S$'000	S$'000
Within 1 year	1,511	1,489
Within 2 to 5 years	5,726	4,851
After 5 years	5,435	11,229
Rental expense for the year	1,940	1,714

The Group has various operating lease agreements for factory premises. The rental payable is subject to an escalation clause with a maximum increment of the annual rent not to exceed a certain percentage of the annual rent of the immediately preceding year.

The Company has no operating lease payment commitments.

37 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	
	2008	2007
	S$'000	S$'000
Within 1 year	630	628
Within 2 to 5 years	997	1,623
Rental income for the year	642	899

Operating lease income is for rental receivable of a subsidiary for its factory property. The leases contain escalation clauses where lease rental is negotiated for a certain period of time with an increment not exceeding a certain percentage.

The Company has no operating lease income commitments.

38 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 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	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
Total revenue	21,248	31,910	87,542	123,127	(15,418)	(16,821)	93,372	138,216
Segment results	1,419	2,837	21,254	29,592	844	2,713	23,517	35,142
Unallocated financial income							55	185
Unallocated financial expenses							(4,971)	(6,799)
Depreciation expense							(12,972)	(10,831)
Unallocated expenses							(2,823)	(6,105)
Profit before income tax							2,806	11,592
Income tax (expense)/ credit							(995)	531
Net profit for the year							1,811	12,123

38 Financial Information by Segments (cont'd)

Business Segments (cont'd)

	CEM		Semiconductor		Eliminations		Total	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
Group assets and liabilities								
Segment assets	10,665	18,199	26,896	30,623	–	–	37,561	48,822
Unallocated assets							197,835	198,364
Total assets							235,396	247,186
Segment liabilities	10,361	4,638	9,886	15,830	–	–	20,247	20,468
Unallocated liabilities							25,868	25,910
Total liabilities							46,115	46,378

Geographical Segments

	Singapore		Malaysia		USA		Others		Eliminations		Total	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
Total revenue	13,662	23,166	19,792	16,168	68,046	99,556	7,290	16,147	(15,418)	(16,821)	93,372	138,216
Other geographical information:												
Segment assets	189,928	205,073	41,705	24,259	184	8,013	3,579	9,841		–	235,396	247,186
Capital expenditure	10,686	24,401	18,406	5,334	–	–	50	17		–	29,142	29,752
Depreciation	10,086	8,398	2,371	1,809	–	–	515	624		–	12,972	10,831

39 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.

39 Financial Instruments

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

(i) *Capital Risk* (cont'd)

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 liabilities (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	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
Net debt	27,004	25,022	2,775	2,845
Adjusted capital	189,281	200,808	148,418	150,768
Debt-to-adjusted capital ratio	0.14	0.12	0.02	0.02

(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.

39 Financial Instruments (cont'd)

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

(ii) Credit Risk (cont'd)

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

	Group		Company	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
Not past due and not impaired	9,605	21,502	10,942	12,763
Past due but not impaired[1]	110	934	–	–
	9,715	22,436	–	–
Impaired receivables - individually assessed[2]	408	224	–	–
Less: Provision for impairment	(251)	(78)	–	–
	157	146	–	–
Trade and other receivables, net	9,872	22,582	10,942	12,763

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.

39 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 result in a corresponding increase/decrease as follows:

	Group		Company	
	2008 S$'000	2007 S$'000	2008 S$'000	2007 S$'000
Income statement and equity	10	67	–	8

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
Group		
2008		
Trade and other payables	28,338	–
Borrowings	9,282	2,968
	37,620	2,968
2007		
Trade and other payables	39,899	–
Borrowings	1,942	282
	41,841	282
Company		
2008		
Trade and other payables	3,073	–
Borrowings	–	–
	3,073	–

39 Financial Instruments (cont'd)

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

(iv) Liquidity Risk (cont'd)

	Less than 1 year S$'000	Between 1 and 2 Years S$'000
2007		
Trade and other payables	3,108	–
Borrowings	267	–
	3,375	–

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.

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

	Group		Company	
	Income statement S$'000	Equity S$'000	Income statement S$'000	Equity S$'000
2008				
Chinese renminbi	(40)	75	–	–
Japanese yen	565	–	–	–
Euro	1	–	–	–
Hong Kong dollar	–	222	–	–
Malaysian ringgit	411	865	–	–
United States dollar	(2,030)	10	–	–

39 Financial Instruments (cont'd)

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

(v) Foreign Currency Risk (cont'd)

	Group		Company	
	Income statement S$'000	Equity S$'000	Income statement S$'000	Equity S$'000
2007				
Chinese renminbi	(63)	246	–	–
Japanese yen	358	–	–	–
Euro	(1)	–	–	–
Hong Kong dollar	1	234	–	–
Malaysian ringgit	59	798	–	–
United Stated dollar	(1,520)	5	–	–

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								
2008								
Cash and cash equivalents	4,840	257	40	–	–	696	13,278	19,111
Trade and other receivables	2,124	139	–	–	2	1,251	6,356	9,872
Other financial assets	–	–	–	–	–	–	5,075	5,075
Trade and other payables	(14,019)	–	(5,691)	(7)	(4)	(4,209)	(4,408)	(28,338)
Financial liabilities	(10,399)	–	–	–	–	(1,851)	–	(12,250)
	(17,454)	396	(5,651)	(7)	(2)	(4,113)	20,301	(6,530)
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
Other financial assets	–	–	–	–	–	–	5,041	5,041
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)	15,196	6,856

39 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			
2008			
Cash and cash equivalents	345	17	362
Trade and other receivables	10,942	–	10,942
Other long-term receivables	1,265	–	1,265
Trade and other payables	(3,073)	–	(3,073)
	9,479	17	9,496
2007			
Cash and cash equivalents	539	1	540
Trade and other receivables	12,763	–	12,763
Other long-term receivables	1,865	–	1,865
Trade and other payables	(3,108)	–	(3,108)
Financial liabilities	(267)	–	(267)
	11,792	1	11,793

(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.

39 Financial Instruments (cont'd)

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

(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 classified as 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.

(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 2008 and 2007, 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.

40 Subsequent Events

(a) On 2 January 2009, Norelco Centreline International Pte Ltd changed its name to UMS International Pte Ltd.

(b) On 12 January 2009, Ultimate Manufacturing Solutions (Suzhou) Co., Ltd, a company incorporated in the People's Republic of China which is a wholly-owned subsidiary of the Company was placed in voluntary liquidation.

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	12	33	45
Subcontractor works	642	29	671
Payment on behalf for purchases and services	598	168	766

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:

			Net Book Value	
			2008	2007
Location	Description	Tenure	S$'000	S$'000
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	3,119	3,042
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	6,015	6,144
25 Changi North Crescent Changi North Industrial Estate Singapore 499617	Leased	30 years lease commencing 1 February 2003 and ending 28 February 2033	3,398	3,535
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	3,942	4,098
Lot 684, 702, Mukim 13 Jalan Kebun Kecil Seberang Perai Tengah 14100 Simpang Empat Pulau Pinang Malaysia	Office cum factory building	Freehold	17,217	3,596

STATISTICS OF SHAREHOLDINGS As at 24 March 2009

Number of Shares :	393,604,284
Class of Equity Shares :	Ordinary Shares
No. of Issued Shares (excluding treasury shares) :	354,228,661
Number / Percentage of Treasury Shares :	39,375,623 (11.12%)
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	0.75	9,976	0.00
1,000 - 10,000	1,289	48.68	8,787,090	2.48
10,001 - 1,000,000	1,324	50.00	72,910,786	20.58
1,000,001 AND ABOVE	15	0.57	272,520,809	76.94
TOTAL	**2,648**	**100.00**	**354,228,661**	**100.00**

Based on the information provided to the Company as at 24 March 2009, approximately 34.87% 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	SHARES	%
1	LUONG ANDY	85,516,727	24.14
2	HSBC (SINGAPORE) NOMINEES PTE LTD	57,075,563	16.11
3	UOB KAY HIAN PTE LTD	34,168,419	9.65
4	LIM & TAN SECURITIES PTE LTD	25,046,000	7.07
5	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	22,544,400	6.36
6	CITIBANK NOMINEES SINGAPORE PTE LTD	18,369,000	5.19
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	10,083,000	2.85
8	DBS VICKERS SECURITIES (S) PTE LTD	3,752,000	1.06
9	DBS NOMINEES PTE LTD	3,447,700	0.97
10	MERRILL LYNCH (SINGAPORE) PTE LTD	3,196,000	0.90
11	OCBC SECURITIES PRIVATE LTD	3,101,000	0.88
12	PHILLIP SECURITIES PTE LTD	2,031,000	0.57
13	TAN POH GHEE	1,515,000	0.43
14	RAFFLES NOMINEES PTE LTD	1,410,000	0.40
15	OCBC NOMINEES SINGAPORE PTE LTD	1,265,000	0.36
16	NG PENG CHIANG	877,000	0.25
17	CITIBANK CONSUMER NOMINEES PTE LTD	869,000	0.25
18	KIM ENG SECURITIES PTE. LTD.	768,000	0.22
19	LOI POH MUN	726,000	0.20
20	HONG LEONG FINANCE NOMINEES PTE LTD	666,000	0.19
	TOTAL	**276,426,809**	**78.05**

Substantial Shareholders As at 24 March 2009

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	110,130,727		110,130,727	27.98*
Baring Asia II Holdings (13) Limited		54,045,563	54,045,563	13.73
Quest World Investment Limited		32,175,419	32,175,419	8.17
Applied Materials, Inc	20,639,400		20,639,400	5.24

* Shares include those held in nominee company

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 Thursday, 30 April 2009 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 2008 and the Auditors' Report thereon.

Resolution 1

2. To declare a final tax-exempt (one-tier) dividend of 0.5 cent per ordinary share in respect of the financial year ended 31 December 2008.

Resolution 2

3. To re-elect Mr Soh Gim Teik, who is retiring by rotation in accordance with Article 104 of the Company's Article of Association, as Director of the Company.

Resolution 3

4. To re-elect Mr Neo Ban Chuan, who is retiring in accordance with Article 114 of the Company's Articles of Association, as Director of the Company.

   [Mr Neo Ban Chuan will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and member of the Remuneration Committee as well as the Nominating 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 4

5. To re-elect Mr Goh Kah Ling, 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$217,164 for the financial year ended 31 December 2008. [FY2007: S$170,000]

Resolution 6

7. To re-appoint Messrs Moore Stephens LLP as Independent Auditors and to authorise the Directors to fix their remuneration.

Resolution 7

8. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

Resolution 8

SPECIAL BUSINESS:

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

9. **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 that 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 total number of issued shares (excluding treasury 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 total number of issued shares (excluding treasury 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 total number of issued shares (excluding treasury 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 9**

10. **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 10**

Explanatory Notes:

(i) Resolution 9 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 total number of issued shares (excluding treasury 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 total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution 9 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 9 is passed, and (b) any subsequent consolidation or subdivision of shares.

(ii) Resolution 10 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 (excluding ordinary shares held in treasury) from time to time.

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 2009, 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 2009.

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 2009 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 2009 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 2009.

BY ORDER OF THE BOARD

Shirley Lim Guat Hua
Company Secretary

Singapore: 15 April 2009

Notes:

1. A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
3. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly 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.

PROXY FORM
ANNUAL GENERAL MEETING

UMS Holdings Limited

(Incorporated in the Republic of Singapore)
(Registration No: 200100340R)

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 Thursday, 30 April 2009 at 10.00 a.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
	Ordinary Business		
1	To receive and consider Directors' and Auditors' Reports and Audited Accounts for the year ended 31 December 2008		
2	To declare a final tax-exempt (one-tier) dividend		
3	To re-elect Mr Soh Gim Teik as Director		
4	To re-elect Mr Neo Ban Chuan as Director		
5	To re-elect Mr Goh Kah Ling as Director		
6	To approve directors' fees for the year ended 31 December 2008		
7	To re-appoint Auditors and authorise the directors to fix their remuneration		
8.	To transact any other ordinary business		
	Special Business		
9	To authorise the directors to allot and issue shares		
10	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 ________________ 2009

Total number of Shares held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM
ANNUAL GENERAL MEETING

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 entered against your name in the Depository Register and registered in your name in the Register of Members. 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 of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
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 Section 179 of the Companies Act, Chapter 50. of Singapore.
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 name 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.

CORPORATE INFORMATION

Board of Directors

Soh Gim Teik
Chairman

Andy Luong
Chief Executive Officer

Oh Kean Shen
Independent Director

Neo Ban Chuan
Independent Director

N. Sreenivasan
Independent Director

Goh Kah Ling
Executive Director

Audit Committee

Neo Ban Chuan
Oh Kean Shen
N. Sreenivasan

Nominating Committee

N. Sreenivasan
Neo Ban Chuan
Oh Kean Shen

Remuneration Committee

N. Sreenivasan
Neo Ban Chuan
Oh Kean Shen

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 LLP
Certified Public Accountants
10 Anson Road #29-15 International Plaza
Singapore 079903
Partner-in-charge: Christopher Bruce Johnson

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
United Overseas Bank Limited
The Development Bank of Singapore Ltd
Standard Chartered Bank
Citibank, N.A.

Company Secretary
Ms Shirley Lim Guat Hua (ACIS)
Complete Corporate Services Pte Ltd
10 Anson Road #15-07 International Plaza
Singapore 079903

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UMS GROUP

UMS Holdings Limited
Company Registration No : 200100340R