UMS GROUP

UMS Holdings Limited

UNLEASHING **POTENTIAL**, UNLOCKING **VALUE**

ANNUAL REPORT 2010

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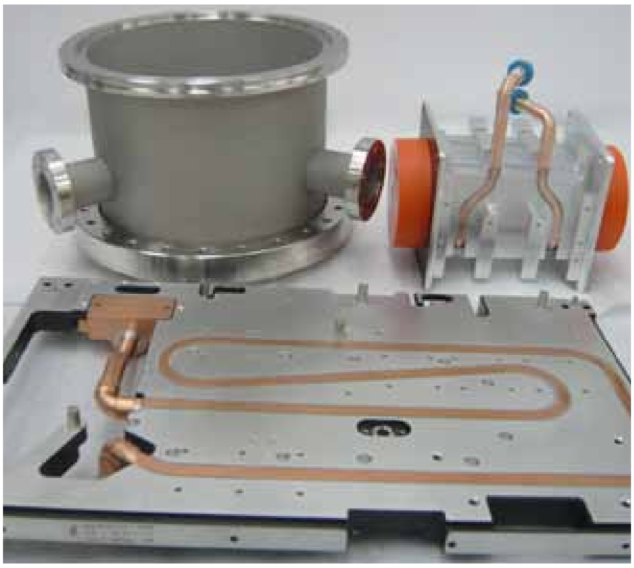
OUR VISION is to be a strategic global partner for successful global companies, providing a full range of integrated manufacturing services.

OUR MISSION is to deliver the best in-class manufacturing solutions to step up our customers' manufacturing processes to produce quality products.



CORPORATE PROFILE

Incorporated in Singapore on January 17, 2001, UMS Holdings Limited is a one-stop strategic integration partner providing equipment manufacturing and engineering services to Original Equipment Manufacturers of semiconductors and related products.

The products we offer include modular and integration system for original semiconductor equipment manufacturing.

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

CHAIRMAN AND CEO **STATEMENT**

"This year's strong bottom-line performance, achieved on the back of a 173% growth in Group revenue to S$129.0 million in FY2010 from S$47.2 million, was driven largely by the success of our product and business transformation strategy."

Dear shareholders,

It gives me great pleasure to present to you UMS' annual report for the financial year ended 31 December 2010 ("FY2010"). The year under review stands out in three aspects – the success of a major strategic shift to improve operations and enhance shareholder value; the exceptional financial performance, including record profit; and the highest-ever dividend payout in our history as a listed company.

Financial performance and business overview:

The Group achieved a record net profit of S$28.7 million, reversing from a net loss of S$24.3 million in FY2009 (a year in which we recorded drastically reduced sales during the global financial crisis and a S$20.0 million goodwill write-off).

This year's strong bottom-line performance, achieved on the back of a 173% growth in Group revenue to S$129.0 million in FY2010 from S$47.3 million, was driven largely by the success of our product and business transformation strategy.

How did we do it?

Key to this has been a tectonic shift to manufacture more integrated systems instead of individual components and spares. Over the years we had built up capability to manufacture these components, gaining the trust of a major customer. The global financial crisis provided a dramatic opportunity for us to offer to build and assemble more complex semiconductor systems. Working with a major customer since FY2008, we moved up the value chain by investing significantly in capacity, training, and technology. While others saw only a crisis, we capitalised on an opportunity.

Demand for these systems has been rising sharply in line with robust global demand, resulting in the dramatic increase in profit. While this strategy had been put in place since FY2008, its contributions to financial performance have been felt most strongly in FY2010.

CHAIRMAN AND CEO STATEMENT

"Hence, revenue for our Semiconductor ("Semicon") segment grew 198.7% to S$119.2 million from S$39.9 million in FY2009. Geographically, Singapore was our largest market contributing revenue of S$69.8 million in FY2010, up sharply from S$5.6 million in FY2009."

Coinciding with this, many Western semiconductor companies including our major customer have been increasingly outsourcing their manufacturing operations to lower-cost centres in Asia, including Singapore, where most of their customers are also located, thereby reducing costs while improving logistical efficiencies.

In FY2010 the Group significantly ramped up production of semiconductor systems to the Singapore operations of a major U.S. customer, with whom it has been closely working with since FY2008. We were able to do this without significant further increases in capital expenditure as we had used the downturn to develop and enhance capacity as well as capability.

Hence, revenue for our Semiconductor ("Semicon") segment grew 198.7% to S$119.2 million from S$39.9 million in FY2009. Geographically, Singapore was our largest market contributing revenue of S$69.8 million in FY2010, up sharply from S$5.6 million in FY2009.

Operational efficiencies and financial management internal strategies have also contributed to our improved performance.

Consequently, the Group generated positive net cash from operating activities of S$31.3 million in FY2010 compared to S$13.9 million in FY2009. Cash and cash equivalents remained healthy at S$20.3 million as at 31 December 2010 despite the settlement of a term loan in Malaysia, payment of interim dividends and share buybacks.

Earnings per share rose to 8.25 cents in FY2010, from a negative 6.87 cents in FY2009. Net asset value per share increased to 52.05 cents as at 31 December 2010 from 45.97 cents as at 31 December 2009.

Outlook and Forward Strategy:

While the Group is mindful of the cyclical swings in the global semiconductor industry, we expect our business outlook to remain intact in FY2011.

CHAIRMAN AND CEO **STATEMENT**

Customer forecasts for orders for the next few quarters remain strong. While our order book will keep us busy in FY2011, we remain on the lookout for more opportunities from outsourcing of manufacturing by U.S. or European semiconductor firms to lower-cost destinations in Asia.

Having built a strong foundation in the first strategic shift – to higher value-added semiconductor systems – we have already made the first few steps to roll out our second strategy – Korea.

As announced to the Singapore Exchange, we are seeking a secondary listing on the Korean Stock Exchange through a Korean Depository Receipt (KDR) program which will provide an alternative source of funds. By tapping into a new group of investors, it should also enhance and promote our investment and business profile.

In line with this corporate action, we are also looking to acquire companies in Korea, using the funds to be raised from the KDR, to develop the business of components and spares in this geography – a major centre for the semiconductor industry worldwide.

Dividend

To thank shareholders for their support, the directors have proposed a final dividend of 2.0 cents and a special dividend of 1.0 cent. Together with the two interim dividends of 1.0 cent each declared in 2Q and 3Q, the combined 5.0 cents payout – representing 59.8% of our total net profit – is the highest-ever annual dividend payment in our history as a listed company.

Appreciations:

On behalf of my fellow Directors, I once again thank you, our shareholders, for your loyal support. I would also like to express my sincere appreciation to our vendors, technology partners and business associates without whom our success would not have been possible.

I would also like to thank the management and staff for their unstinting dedication and hard work.

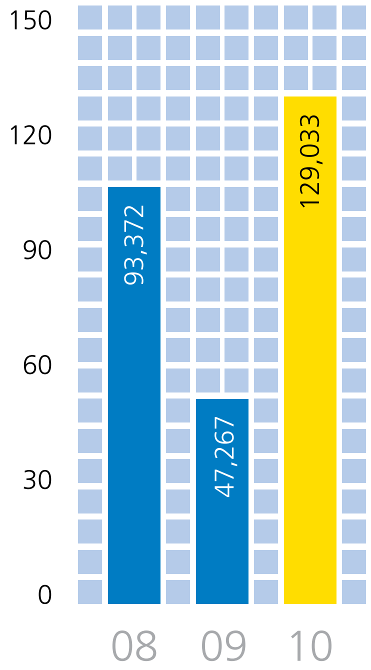
With these strategies already in place, UMS anticipates our growth would continue to be strong in the years to come and we look forward to the continuing participation of all our stakeholders during that time.

Soh Gim Teik
Chairman
UMS Holdings Limited

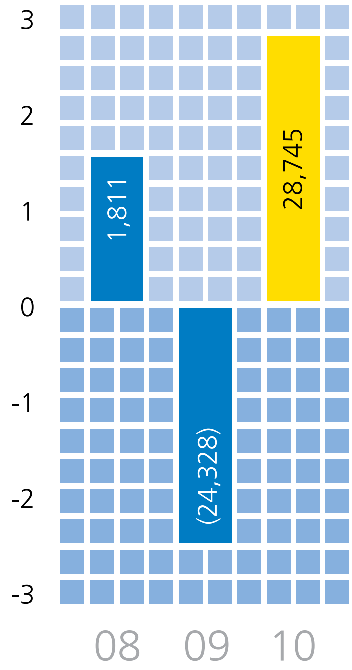
Andy Luong
Chief Executive Officer
UMS Holdings Limited

FINANCIAL HIGHLIGHTS

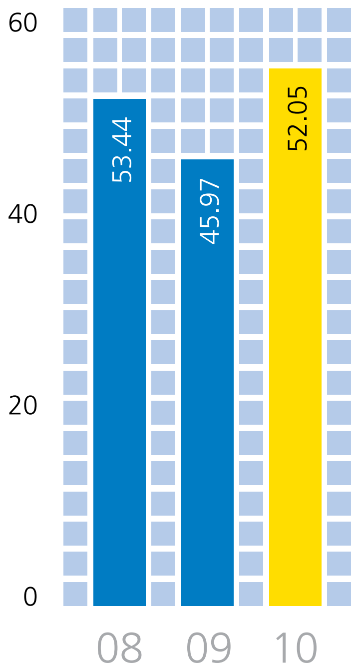
Revenue
(in S$'000)



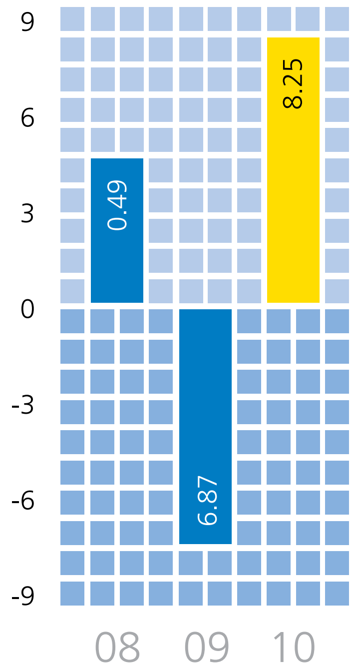
Net Profit / (Loss)
(in S$'000)



NAV Per Share
(in cents)



Basic Earnings Per Share
(in cents)



FINANCIAL REVIEW

In FY2010, UMS recorded a sharply improved financial performance on the back of strong increase in revenue.

Revenue increased 173% to S$129.0 million from S$47.3 million in 2009 due to two main factors: the robust demand in the semiconductor industry after the financial crisis as well as the success of the strategic shift to manufacture and assemble higher value-added semiconductor systems instead of reliance on components and spares.

As a result of this shift, revenue for the Semiconductor component and systems (Semicon) segment increased 198.7% to S$119.2 million in FY2010 from S$39.9 million in FY2009 while Contract Equipment Manufacturing (CEM) increased 33.6% to S$9.9 million from S$7.4 million, over the respective periods.

In terms of geographical contribution, while the Group exports many semiconductor components to United States, its sales of integrated semiconductor systems are to a major customer in Singapore. Reflecting the increase in semiconductor systems sales, revenue contribution from Singapore rose 1,141.6% to S$69.8 million for FY2010, making it the single largest market.

The Group recorded net profit of S$28.7 million in FY2010, reversing sharply from a loss of S$24.3 million in FY2009 (which included a goodwill write-off of S$20 million).

Other factors led to the improved bottom-line performance included the decrease of provision for impairment of inventories (net) by 62.9% to S$1.3 million from S$3.5 million; and the continued improvement of operating and financial efficiencies.

The Group continued to generate positive cash flow, with positive net cash from operating activities of S$31.3 million in FY2010, an increase of 124.7% from S$13.9 million in FY2009 despite the increase in inventories of S$11.0 million and trade and other receivables of S$9.8 million. Capital expenditure ("capex") in FY2010 was low as a result of investments

made in earlier years. In FY2007-2009, the Group incurred capex totaling S$52.9 million as part of its strategy to build up capacity during the financial crisis to prepare for the upturn which came in FY2010.

Cash and cash equivalents remained healthy. The Group's cash and cash equivalents for FY2010 stood at S$20.5 million as at 31 December 2010. In all, for the full year, the Group utilised S$23.1 million to settle its term loan in Malaysia, pay dividends and acquire UMS shares to enhance shareholder value.

Due to the improved operating cash flow and profitability, the debt to equity ratio has been reduced to 4% from 12.5% over the comparative period after settling all long-term debts during the current financial year.

Our balance sheet remains healthy with net cash position of S$13.4 million or 3.9 cents per share, comprising cash and cash equivalent of S$20.5 million less total borrowings of S$7.1 million. Net asset value stands at S$178.9 million or 52.05 cents per share an increase of 13.2% from 45.97 cents per share.

In continued enhancement of shareholder value, the Group resumed the share buy-back program by purchasing 10.5 million shares at an average price of S$0.26 and fully cancelled treasury shares totaling 49.3 million shares.

Group's earnings per share (EPS) as at 31 December 2010 rebounded to 8.25 cents from a loss of 6.87 cents at 31 December 2009.

To reward shareholders for their support, the Directors have propose the highest dividend payment for any quarter – of 2.0 cents for 4Q2010 and a special dividend of 1.0 cent. This brings the total proposed payout for FY2010 to 5.0 cents, including interim dividends of 1.0 cent each in 2Q10 and 3Q10. If approved by shareholders it would represent 59.8% of UMS' net profit for the year.

OPERATIONS REVIEW

The year under review underscored the success of UMS' efforts since the global financial crisis to undertake a significant strategic shift to enhance stakeholder value.

While the strategy had been set in motion since FY2008, it gained momentum only in the second half of FY2010 – resulting in the Group achieving both sharp net profit and revenue growth, cost efficiencies and better capital management – at a time of robust demand in the global semiconductor sector.

While we recognise that the industry is prone to cyclical swings, the actions undertaken will help us ride out these swings while offering a stronger value proposition to customers.

Review of Operations

The key to our achievements was the shift in our product mix towards producing more integrated systems as opposed to individual component parts for the semiconductor industry. Working closely with a major customer, we were able to use the financial downturn to develop capabilities and competencies in developing more advanced and higher value-add semiconductor systems. The efforts of the last two years – which included in-house training and technology transfer from a major customer seeking to outsource more functions to Asia – enabled us to fulfill our vision to be a one-stop global partner for our global customers in providing a full range of integrated manufacturing services.

In view of the financial crisis, many Western semiconductor companies have been increasing their outsourcing activities to lower-cost Asian countries such as Singapore. This has offered us the opportunity to capture some of the manufacturing orders that have shifted from our customers' US operations to Singapore.

Both these strategies were developed at the height of the global financial downturn which affected the semiconductor industries severely. Instead of merely cutting back costs, the company undertook a major review to shift its business directions towards systems as well as to explore opportunities in South Korea. Through this process, we deepened our relationship with a major customer and also reaped significant financial returns.

Review on Business Segments

The Group's semiconductor business remains the core activity of the Group. Our strategic thrusts previously mentioned were all focused on this segment which continued to present growth potential.

The semiconductor business is sub-divided into component parts and also integrated systems.

For the year under review the major revenue driver was the integrated systems as we were able to position UMS as a strategic partner to our major customer which trusted us to take on larger and

more complex projects. The production and assembly of more complex systems has allowed us to move up the value chain while significantly improving our business model and contributing to sales and profits.

Revenue from the semiconductor business in FY2010 doubled to S$119.2 million, which represents 92.4% of the total revenue, as compared to S$39.9 million in FY2009.

The second business segment is the Contract Equipment Manufacturing (CEM). In view of rising costs affecting the global manufacturing environment, contract manufacturing carried out by third parties is a viable alternative for many companies.

For FY2010, the CEM segment contributed S$9.9 million or 7.6% of the total revenue. As compared to FY2009, revenue from this segment increased by 33.6%, mainly due to the increased spending by customers in the oil and gas sector.

Review on Geographical Markets

In line with the increased outsourcing operations from the Western semiconductor companies to low-cost Asian countries, UMS also experienced a significant shift in the geographical revenue distribution for the year 2010 as a major customer increased outsourcing manufacturing to us.

As compared *to* last year, Singapore market reversed from being the smallest to the largest market in revenue amongst our three geographical markets. In FY2009, Singapore contributed only S$5.6 million representing 11.9% *of total revenue*. By FY2010, Singapore contributed S$69.8 million or 54.1% of the total revenue, an 11-fold hike compared *to the* year earlier.

Revenue from customers in The United States of America for FY2010 was S$39.0 million. This represented 30.2% of the total revenue in FY2010, an increase of 24.4% from S$31.4 million in FY2009. But a decrease of revenue share of 36.2 point percentage from 66.4% was mainly due to the setting up of its major customer in Singapore which changed the geographical mix significantly.

Revenue from customers in Malaysia, Europe, Taiwan and Korea increased by 97% to S$20.2 million from S$10.3 million over a year earlier mainly due to increased spending by chip manufacturers in these countries. This market contributed 15.7% of the total revenue in year under review.

Since 2009, UMS has improved cost efficiencies by shifting part of production to the Penang Hub which was granted a 10-year tax holiday from 2011 by the Malaysian Government. In total, Penang Hub and Singapore headquarters provide more than 700,000 sq. ft. of space to expand production.

BOARD OF DIRECTORS

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}.

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.

Oh Kean Shen
Independent Director

Mr. Oh Kean Shen was appointed as an Independent Director of the Company on 20 September 2007.

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.

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.

N. Sreenivasan
Independent Director

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

Mr. Sreenivasan has 23 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.

Loh Meng Chong, Stanley
Executive Director

Mr. Stanley Loh was appointed as an Executive Director of the Company on 30 June 2010.

Mr. Loh joined the Company on 5 September 2008 as the Group's Financial Controller. He brings with him over 18 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.

Sylvia SY Lee Luong
Executive Director

Mrs. Sylvia Luong was appointed as an Executive Director of the Company on 30 June 2010.

Mrs. 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.

MANAGEMENT TEAM

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 which comprise of direct and deemed interest.

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.

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.

Loh Meng Chong, Stanley
Group Financial Controller

Mr. Stanley Loh joined the Company on 5 September 2008 as the Group's Financial Controller. He brings with him over 18 years of experience in finance, accounting, treasury and auditing. Before joining the Company, he held several controllership positions in trading and manufacturing organizations.

Dave Penland
Operations Director

Mr. Dave Penland joined UMS as Operations Director on 28 September 2010. In this role, he is responsible for the day to day Singapore operation and supervision of staff, reporting directly to the COO.

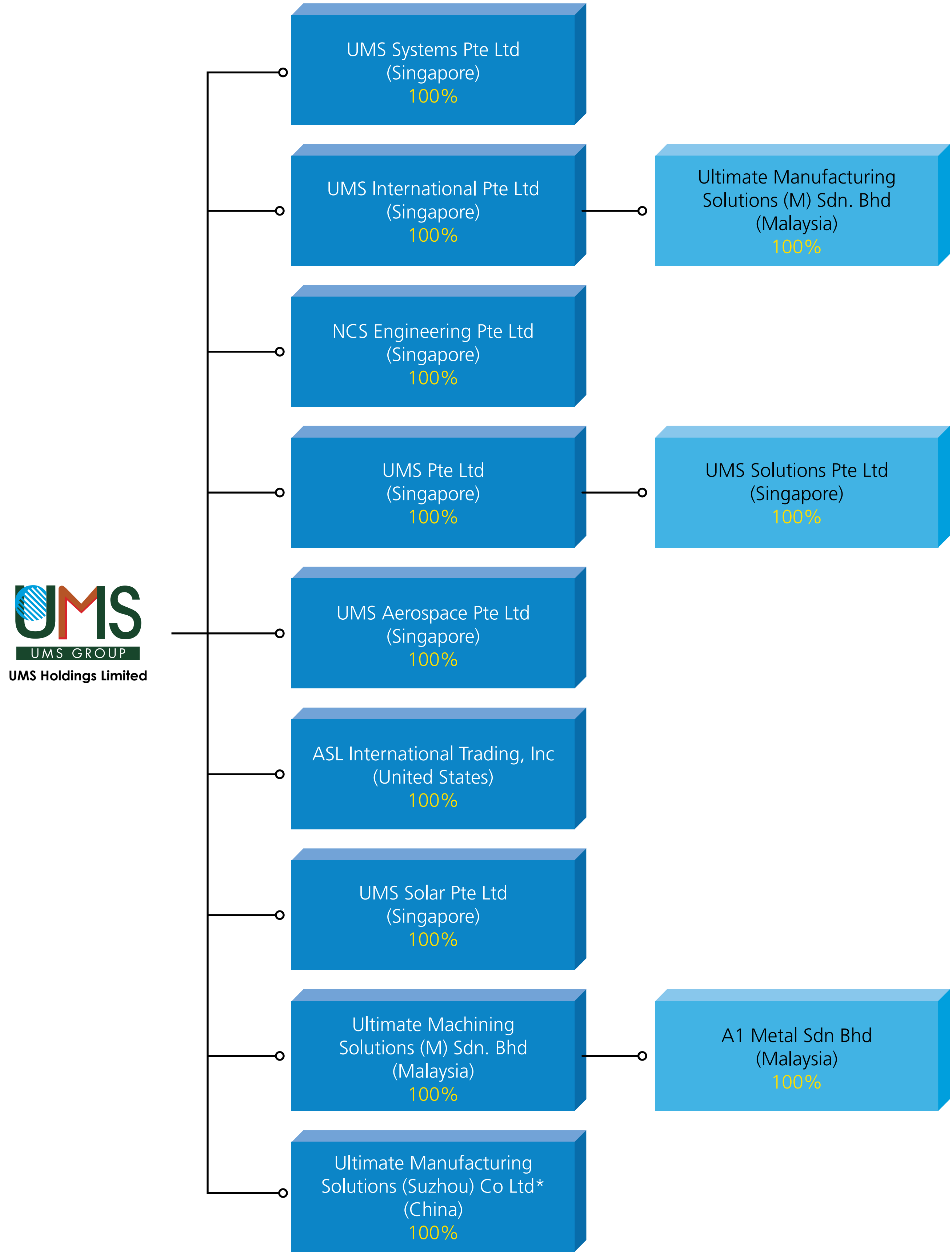
Mr. Penland brings with him more than 20 years of international experience across various manufacturing companies including semiconductor, nanotechnology and machining operations.

Kay Tan Kian Hong
Global Account Director

Mr. Kay Tan was appointed Global Account Director in 2007, located in Milpitas, California. As Global Account Director, Mr. Tan holds overall responsibility for managing the relationship between UMS and our key customers in USA by facilitating appropriate customer contacts at all levels, across all business creation cycles.

Prior to joining UMS in April 2007 Mr. Tan held a number of positions with increasing responsibilities. Mr. Tan started as a Trainee Supervisor in precision machining in 1989 and in 2003, re-located to California, USA as a Key Account Manger. Mr. Tan brought with him 18 years of broad scope experience in the machining and assembly for high-tech equipment manufacturing industries and hands on experience in Project Management, Account Management, Sales and Marketing.

GROUP STRUCTURE



* currently undergoing voluntary liquidation

MILESTONES

2010 Dec, Malaysia 10-year pioneer tax-free benefit officially kicks in
Oct, Announcement of dual listing in Korea and plan to penetrate Korean market

2009 February, commence operation of Malaysia - Penang Hub, a RM75 million investment

2008 February, Grand opening of new Changi North Rise facility

2007 August, Ground Breaking of Penang (Malaysia) facility

Entered into an exclusive contract with a major oil & gas company. UMS obtained AS9100:2004 certification

2006 Ground Breaking of a new 80,000 square foot facility in Changi North Rise, Singapore

Announcement of a US$20 million investment into new business segments including aerospace and oil and gas

2004 Merger with Norelco Centreline Holdings Limited

1996 Started UMS in Singapore

1984 Founding of Long's Manufacturing in Silicon Valley, USA by Andy Luong

CORPORATE OFFICES



SINGAPORE

UMS Pte Ltd
UMS Aerospace Pte Ltd
UMS Systems Pte Ltd
UMS Solar Pte Ltd
UMS Solutions 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

USA

ASL International Trading, Inc
1477 North Milpitas Boulevard
Milpitas, CA 95035
Tel : (65) 6543 2272
Fax : (65) 6542 9979
Email : enquiries@umsgroup.com.sg
Website : http://www.umsgroup.com.sg

MALAYSIA

Ultimate Manufacturing Solutions (M) Sdn. Bhd.
Ultimate Machining Solutions (M) Sdn. Bhd.
A1 Metal Sdn Bhd
Lot 684, 702, Mukim 13
Jalan Kebun Kecil
14100 Simpang Ampat
Seberang Perai Tengah
Pulau Penang
Malaysia
Tel : (604) 507 3000
Fax : (604) 502 3000
Email : enquiries@umsgroup.com.my
Website : http://www.umsgroup.com.sg

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 2010, 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 seven Directors at the end of the year 2010, of which four, including the Non-Executive Chairman, are Independent Directors. 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 four 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 2010 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 Soh Gim Teik ^*	4	4	N.A	N.A	2	2	N.A	N.A
Mr Luong Andy+	4	4	N.A	N.A	N.A	N.A	N.A	N.A
Mr Oh Kean Shen #*	4	4	4	4	2	2	4	4
Mr N. Sreenivasan #*	4	4	4	4	2	2	4	4
Mr Neo Ban Chuan #*	4	4	4	4	2	1	4	3
Mrs Sylvia SY Lee Luong+ (Appointed on 30 June 2010)	4	2	N.A	N.A	N.A	N.A	N.A	N.A
Mr Stanley Loh Meng Chong+ (Appointed on 30 June 2010)	4	2	N.A	N.A	N.A	N.A	N.A	N.A
Mr Goh Kah Ling+ (Resigned on 30 June 2010)	4	2	N.A	N.A	N.A	N.A	N.A	N.A

^ Non-Executive Chairman
\+ Executive Director
\# Non-Executive Director
* Independent Director

On 30 June 2010, Mrs Sylvia SY Lee Luong and Mr Stanley Loh Meng Chong were appointed as Executive Directors of the Company and Mr Goh Kah Ling resigned as an Executive Director.

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.

Board Composition and Balance – Principle 2

As at 31 December 2010, the Board comprises seven directors. The Chief Executive Officer ('CEO") is one of three Executive Directors whilst the remaining four Directors, including the Non-Executive Chairman, are Non-Executive Directors of the Company. Non-Executive Directors of the Company assist the Chairman to fulfil 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 seven 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 separate to ensure an appropriate balance of power and authority, 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 a non-Executive Chairman with effect from 15 February 2008. Mr Luong Andy has been the CEO of the Company since 2005.

As the CEO, Mr Luong Andy is responsible for the day-to-day management of the business. Mr Luong Andy has executive responsibilities in the business directions and operational efficiency of the Group and plays a pivotal role in steering the strategic direction and growth of the business. He also oversees the execution of the Group's corporate and business strategy set out by the Board and ensures that the directors are kept updated and informed of the Group's business.

As the non-Executive 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 four Non-Executive Directors, namely Mr Soh Gim Teik, Mr N. Sreenivasan, Mr Oh Kean Shen and Mr Neo Ban Chuan.

Name	Role in NC	Role In Board
Mr Soh Gim Teik	Chairman	Independent and Non-Executive Director
Mr N. Sreenivasan	Member	Independent and Non-Executive Director
Mr Neo Ban Chuan	Member	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, including the Financial Controller, and the 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	Independent and Non-Executive Director
Mr Neo Ban Chuan	Member	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director

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 are appropriate and meaningful measures for the purpose of assessing executive directors' performance;

- Recruiting executive directors of the Company and determining their employment terms and remuneration;
- Positioning the Company's executive remuneration package relative to other companies or its competitors;
- Reviewing and recommending to the Board the terms of renewal for those executive directors whose current employment contracts have expired;
- Ensuring adequate disclosure in the directors' remuneration as required by regulatory bodies such as the Singapore Stock Exchange;
- Overseeing the payment of fees to non-executive directors.

Level and Mix of Remuneration – Principle 8

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

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

- Pay and employment conditions within the industry and in comparable companies;

- The Company's relative performance and the performance of the individual directors;

- The attractiveness of the remuneration package so as to retain the directors and motivate them to run the Company successfully;

- Significance of performance related elements of remuneration; and

- Effort, time spent and responsibilities of the individual directors.

Executive Directors:

Executive directors receive their remuneration in three key components, that is, fixed monthly salary, a variable bonus and Directors' fees. The fixed monthly salary includes car allowance and central provident fund contribution. The variable bonus depends largely on the performance of the Group.

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 2010 is set out below:

Name of Director	Salary	Bonus	Allowances	Central Provident Fund Contribution	Directors Fees[2]	Total
	%	%	%	%	%	%
Non- Executive Directors						
Below S$250,000						
Mr Soh Gim Teik	0%	0%	0%	0%	100%	100%
Mr N. Sreenivasan	0%	0%	0%	0%	100%	100%
Mr Neo Ban Chuan	0%	0%	0%	0%	100%	100%
Mr Oh Kean Shen	0%	0%	0%	0%	100%	100%
Executive Directors						
S$ 750,000 to S$999,999						
Mrs Sylvia SY Lee Luong[1]	66%	7%	25%	1%	1%	100%
S$ 500,000 to S$749,999						
Mr Luong Andy	75%	11%	10%	2%	2%	100%
Below S$250,000						
Mr Stanley Loh Meng Chong	74%	13%	6%	5%	2%	100%

1: Mrs. Sylvia SY Lee Luong is the wife of the Executive Director, Mr. Luong Andy.
2: The fees are subject to the approval of the Shareholders at the forth coming AGM.

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 2010 is set out below:

Name of Key Executive	Salary	Allowances	Bonus	Central Provident Fund Contribution	Total
	%	%	%	%	%
Below S$250,000					
Mr Kay Tan Kian Hong	92%	0%	7%	1%	100%
Mr Terence Yeo Bak Woo	72%	7%	12%	9%	100%
Mr Gobinath A/L Gunaselan	71%	7%	12%	10%	100%
Mr David Christopher Penland	61%	34%	5%	0%	100%
Mr Francis Lim Swee Koon	77%	6%	7%	10%	100%

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

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	Independent and Non-Executive Director
Mr N. Sreenivasan	Member	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director

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 via reviews carried out by the internal auditors; and
- Review interested party transactions on a regular basis.

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 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 has also put in place a policy, whereby staff and business associates of the Group may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions.

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.

The internal audit ("IA") function of the Group is outsourced to KPMG Singapore Risk Advisory Services ("KPMG"). The IA reports to the Audit Committee. KPMG is guided by the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Group's internal auditors conduct review in accordance with the audit plans of the Group's key internal controls, including financial, operational and compliance controls. 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.

During the financial period, Management had taken remedial actions recommended by the internal and external auditors in prior financial period so as to enhance certain internal control procedures. New areas of improvement were also recommended during the current financial period. Notwithstanding the areas highlighted, 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 and believes that the system of internal controls in place up to the date of this report is adequate for the current business scope and operations of the Group.

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 quarterly 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, and ending on the date of the announcement of the relevant 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. All interested person transactions were conducted on arm's length basis and on normal commercial terms within the regulatory guidelines. All interested person transactions are regularly reviewed by the Audit Committee. The internal auditors have performed a review of such transactions and have established that they have been conducted on normal commercial terms. Details of the interested person transactions are found on the supplementary financial information disclosures page of this Annual Report.

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REPORT OF THE DIRECTORS

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2010, the balance sheets and the statements of changes in equity of the Company as at 31 December 2010.

1 Directors

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

Mr Luong Andy	(Executive Director)	
Mrs Sylvia SY Lee Luong	(Executive Director)	Appointed on 30 June 2010
Mr Stanley Loh Meng Chong	(Executive Director)	Appointed on 30 June 2010
Mr Oh Kean Shen	(Independent Director)	
Mr Soh Gim Teik	(Independent Director)	
Mr N. Sreenivasan	(Independent Director)	
Mr Neo Ban Chuan	(Independent Director)	

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 as		Deemed Interest as	
Name of Directors and Company	**at 1.1.10 or date of appointment**	**At 31.12.10**	**at 1.1.10 or date of appointment**	**At 31.12.10**
UMS Holdings Limited (the Company)	Ordinary shares of no par value			
Mr Luong Andy	110,130,727	98,856,727	-	11,274,000
Mr Stanley Loh Meng Chong	200,000	200,000	-	-
Mrs Sylvia SY Lee Luong	-	-	110,130,727	110,130,727

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 or a related corporation with the director 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 notes to 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 net divisional profit before tax and Group's 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, 4,667 RSP Share awards entitlement was paid in cash instead of shares.

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		

40,000 (2009: 40,000) RSP share awards and 80,000 PSP share awards that have been granted was forfeited in the current financial year.

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 carried out its functions in accordance with section 201B (5) of the Companies Act. Amongst others, it performed the following functions:

- Reviewed with the independent external auditors the external audit plan;

9 Audit Committee (cont'd)

- Reviewed with the independent external auditors their report on the financial statements and the assistance given by the Company's officers to them;
- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- 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;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX); and
- Recommended to the board of directors that the independent external auditors, Moore Stephens LLP, be nominated for re-appointment, approved the compensation of the external auditors, and reviewed the scope and results of the audit.

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

10 Independent Auditors

Moore Stephens LLP, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

……………………………………
LUONG ANDY

……………………………………
LOH MENG CHONG, STANLEY

Singapore
31 January 2011

STATEMENT OF DIRECTORS

In the opinion of the directors,

(a) the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 35 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

……………………………………………
LUONG ANDY

……………………………………………
LOH MENG CHONG, STANLEY

Singapore
31 January 2011

We have audited the accompanying financial statements of UMS Holdings Limited (the "Company") and its Subsidiaries (the "Group") as set out on pages 35 to 91, which comprise the balance sheets of the Company and of the Group as at 31 December 2010, and the statement of changes in equity of the Company and of the Group, and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group 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 of these financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 the 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, the consolidated financial statements of the Group, and the statement of changes in equity and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, the changes in equity of the Company and the Group and the results and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, 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
31 January 2011

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group 2010 S$'000	Group 2009 S$'000
Revenue	4	129,033	47,267
Changes in inventories		9,258	(5,677)
Raw material purchases and subcontractor charges		(66,001)	(13,814)
Employee benefits expense	5	(12,810)	(7,614)
Depreciation expense	17, 18	(11,890)	(11,741)
Other expenses	6	(10,670)	(7,753)
Other charges	7	(3,158)	(25,466)
Finance income	8	32	72
Finance expense	9	(505)	(610)
Profit/(loss) before income tax		33,289	(25,336)
Income (expense)/tax credit	10	(4,544)	1,008
Net profit/(loss) for the year		28,745	(24,328)
Earnings/(loss) per share			
- Basic	11	8.25 cents	(6.87) cents
- Diluted	11	8.25 cents	(6.87) cents
Final and special exempt (one-tier) dividend paid (for the years ended 31 December 2010 and 2009 respectively)	29	3.00 cents	0.50 cent

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group	
	2010	2009
	S$'000	S$'000
Net profit/(loss) for the year	28,745	(24,328)
Other comprehensive income/(expense):		
Currency translation differences arising on consolidation	476	(350)
Total comprehensive income/(loss) for the year	29,221	(24,678)

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS
AS AT 31 DECEMBER 2010

	Note	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
ASSETS					
Current Assets					
Cash and cash equivalents	12	20,532	24,678	3,394	922
Trade receivables and other current assets	13	19,505	11,120	1,920	7,836
Inventories	14	34,505	25,248	-	-
		74,542	61,046	5,314	8,758
Assets classified as held for sale	15	4,416	630	-	-
Total Current Assets		78,958	61,676	5,314	8,758
Non-Current Assets					
Investments in subsidiaries	16	-	-	162,904	136,662
Property, plant and equipment	17	65,501	76,214	-	-
Investment property	18	3,614	3,838	-	-
Financial assets, held-to-maturity	19	4,490	4,891	-	-
Goodwill	20	60,702	60,702	-	-
Total Non-Current Assets		134,307	145,645	162,904	136,662
Total Assets		213,265	207,321	168,218	145,420
LIABILITIES AND EQUITY					
Current Liabilities					
Short-term borrowings	21	-	2,000	-	-
Trade and other payables	22	18,471	19,675	1,708	749
Income tax payable		4,498	691	-	81
Current portion of long-term borrowings	23	-	670	-	-
Current portion of finance lease obligation	24	4,474	4,773	-	-
Total Current Liabilities		27,443	27,809	1,708	830
Non-Current Liabilities					
Deferred tax	10	3,026	2,538	-	-
Long-term borrowings	23	-	7,289	-	-
Finance lease obligation	24	2,665	5,653	-	-
Long-term provision	25	1,200	1,200	-	-
Total Non-Current Liabilities		6,891	16,680	-	-
Total Liabilities		34,334	44,489	1,708	830
Capital and Reserves					
Share capital	26	136,623	152,822	136,623	152,822
Treasury shares	26	-	(13,494)	-	(13,494)
Reserves	28	(1,028)	(1,504)	85	85
Retained earnings		43,336	25,008	29,802	5,177
Total Equity		178,931	162,832	166,510	144,590
Total Liabilities and Equity		213,265	207,321	168,218	145,420

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Share Capital S$'000	Treasury Shares S$'000	Statutory Reserve S$'000	Foreign Exchange Translation Reserve S$'000	Retained Earnings S$'000	Total S$'000
Group							
2010							
Balance at 1 January 2010		152,822	(13,494)	51	(1,555)	25,008	162,832
Profit for the year		-	-	-	-	28,745	28,745
Other comprehensive income for the year		-	-	-	476	-	476
Total comprehensive income for the year		-	-	-	476	28,745	29,221
Purchase of treasury shares	26	-	(2,500)	-	-	-	(2,500)
Cancellation of treasury shares and share buy back	26	(16,199)	15,994	-	-	-	(205)
Dividends paid	29	-	-	-	-	(10,417)	(10,417)
Balance at 31 December 2010		136,623	-	51	(1,079)	43,336	178,931
2009							
Balance at 1 January 2009		152,822	(13,496)	51	(1,205)	51,109	189,281
Loss for the year		-	-	-	-	(24,328)	(24,328)
Other comprehensive expense for the year		-	-	-	(350)	-	(350)
Total comprehensive expense for the year		-	-	-	(350)	(24,328)	(24,678)
Share-based payments granted to employees	26	-	2	-	-	(2)	-
Dividends paid	29	-	-	-	-	(1,771)	(1,771)
Balance at 31 December 2009		152,822	(13,494)	51	(1,555)	25,008	162,832

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Share capital S$'000	Treasury shares S$'000	Capital reserve S$'000	Retained earnings S$'000	Total S$'000
Company						
2010						
Balance at 1 January 2010		152,822	(13,494)	85	5,177	144,590
Profit for the year		-	-	-	35,042	35,042
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	35,042	35,042
Purchase of treasury shares	26	-	(2,500)	-	-	(2,500)
Cancellation of treasury shares and share buy back	26	(16,199)	15,994	-	-	(205)
Dividends paid	29	-	-	-	(10,417)	(10,417)
Balance at 31 December 2010		136,623	-	85	29,802	166,510
2009						
Balance at 1 January 2009		152,822	(13,496)	68	9,024	148,418
Loss for the year		-	-	-	(2,074)	(2,074)
Other comprehensive income for the year		-	-	17	-	17
Total comprehensive expense for the year		-	-	17	(2,074)	(2,057)
Share-based payments granted to employees	26	-	2	-	(2)	-
Dividends paid	29	-	-	-	(1,771)	(1,771)
Balance at 31 December 2009		152,822	(13,494)	85	5,177	144,590

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 S$'000	2009 S$'000
Cash Flows from Operating Activities			
Net profit/(loss) before income tax		33,289	(25,336)
Adjustments for:			
Depreciation expense		11,890	11,741
Property, plant and equipment written off		-	17
Goodwill written off		-	20,000
Gain on disposal of assets classified as held for sale		(36)	-
Gain on disposal of property, plant and equipment		-	(12)
Write back of impairment of trade debts		-	(135)
Provision for impairment of non-trade debts		-	20
Provision for impairment of inventories (net)		1,306	3,521
Inventories written off		442	150
Loss on liquidation and deregistration of subsidiaries		348	-
Interest income		(32)	(72)
Interest expense		505	610
Unrealised foreign exchange adjustment losses		1,079	1,676
Operating cash flows before working capital changes		48,791	12,180
Changes in operating assets and liabilities:			
Trade receivables and other current assets		(9,798)	(451)
Inventories		(11,005)	2,007
Trade and other payables		3,545	224
Cash generated from operations		31,533	13,960
Income tax paid		(244)	(37)
Net cash generated from operating activities		31,289	13,923
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		-	13
Purchase of property, plant and equipment	(B)	(7,621)	(14,110)
Proceeds from disposal of assets classified as held for sale		705	-
Interest received		32	72
Net cash used in investing activities		(6,884)	(14,025)

The accompanying notes form an integral part of the financial statements

	Note	2010 S$'000	2009 S$'000
Cash Flows from Financing Activities			
Share buy back		(2,705)	-
(Repayment of)/proceeds from borrowings		(9,959)	2,636
Dividends paid		(10,417)	(1,771)
(Repayment of)/proceeds from finance lease obligation		(3,287)	5,499
(Increase)/decrease in fixed deposit - restricted		(53)	124
Interest paid		(505)	(610)
Net cash (used in)/generated from financing activities		(26,926)	5,878
Net effect of exchange rate changes on the balance of cash held in foreign currencies		(1,678)	(85)
Net (decrease)/increase in cash and cash equivalents		(4,199)	5,691
Cash and cash equivalents at the beginning of the year		24,497	18,806
Cash and cash equivalents at the end of the year	(A)	20,298	24,497

A. Cash and Cash Equivalents

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

	Group 2010 S$'000	Group 2009 S$'000
Cash and cash equivalents (Note 12)	20,532	24,678
Less: Fixed deposit - restricted in use (Note 12)	(234)	(181)
Cash and cash equivalents per consolidated cash flow statement	20,298	24,497

Property, Plant and Equipment

	Group 2010 S$'000	Group 2009 S$'000
Purchase of property, plant and equipment:		
Cost of property, plant and equipment purchased (Note 17)	4,644	3,445
Payment for the year for prior year acquisitions	2,977	10,665
Net cash disbursed	7,621	14,110

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 2010 were approved and authorised for issue by the board of directors on 31 January 2010.

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 Dollar ('S$'), are rounded to the nearest thousand dollar (S$'000) except as otherwise indicated. The financial statements have been prepared on an 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 for annual periods beginning on or after 1 July 2009 and 1 January 2010

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following standards and INT FRS that are mandatory for annual financial periods beginning on or after 1 July 2009 and 1 January 2010.

2 Summary of Significant Accounting Policies (cont'd)

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

(i) *FRS and INT FRS effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 (cont'd)*

	Description	**Effective for annual periods beginning on or after**
	FRS 27 *Consolidated and Separate Financial Statements*	1 July 2009
	Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Item*	1 July 2009
	FRS 103 *Business Combinations*	1 July 2009
	Amendments to INT FRS 109 *Reassessment of Embedded Derivatives*	1 July 2009
	INT FRS 117 *Distributions of Non-cash Assets to Owners*	1 July 2009
	INT FRS 118 *Transfer of Assets from Customers*	1 July 2009
	Amendments to FRS 102 *Group Cash-settled share-based payment transaction*	1 January 2010
	Improvements to FRSs issued in 2009:	
-	Amendments to FRS 38 *Intangible Asset*	1 July 2009
-	Amendments to FRS 102 *Share-based Payment*	1 July 2009
	Amendments to INT FRS 109 *Reassessment of Embedded Derivatives*	1 July 2009
-	Amendments to INT FRS 116 Hedges of a Net Investment in a Foreign Operation	1 July 2009
-	Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2010
-	Amendments to FRS 7 *Statement of Cash Flows*	1 January 2010
-	Amendments to FRS 17 *Leases*	1 January 2010
-	Amendments to FRS 36 *Impairment of Assets*	1 January 2010
-	Amendments to FRS 39 *Financial Instruments: Recognition and Measurement*	1 January 2010
-	Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2010
-	Amendments to FRS 108 *Operating Segments*	1 January 2010

2 Summary of Significant Accounting Policies (cont'd)

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

(i) *FRS and INT FRS effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 (cont'd)*

Except for the revised FRS 103 and FRS 27, the adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

Amendments to FRS 27 *Consolidated and Separate Financial Statements*

The revised FRS 27 has been adopted in the current year. The revisions to FRS 27 principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries.

The revised FRS 27 has been adopted for periods beginning on of after 1 January 2010 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under the revised FRS 27, all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets and liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

Amendments to FRS 39 *Financial Instruments: Recognition and Measurement*

Amendments to FRS 39 further clarifies on the accounting for embedded derivatives wherein if an entity is unable to measure separately the embedded derivative that would have to be separated on reclassification of a hybrid (combined) contract out of the fair value through profit or loss category, that reclassification is prohibited. In such circumstances the hybrid (combined) contract remains classified as at fair value through profit or loss in its entirety.

2 Summary of Significant Accounting Policies (cont'd)

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

(i) *FRS and INT FRS effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 (cont'd)*

Revised FRS 103 *Business Combinations*

Revised FRS 103, which is effective for the financial year beginning 1 July 2009, incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred. Previously, it was capitalised in the cost of acquisition.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

(ii) *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

FRS 24 (revised) *Related Party Disclosures*

FRS 24 *Related Party Disclosure (revised)*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exception of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

2 Summary of Significant Accounting Policies (cont'd)

(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.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

The acquisition method of accounting is used to account for business combinations of the Group. 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. Acquisition-related costs are expensed as incurred. 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. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Assets, liabilities and results of foreign subsidiaries are translated into Singapore dollar on the basis outlined in paragraph (z) (iii) below.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(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 the net 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.

2 Summary of Significant Accounting Policies (cont'd)

(d) Goodwill on Consolidation (cont'd)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

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 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, they 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 the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined.

(h) Assets Classified as Held for Sale

A non-current asset 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 is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets 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 classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

2 Summary of Significant Accounting Policies (cont'd)

(h) Assets Classified as Held for Sale (cont'd)

The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

(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 estimated residual values, useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. This ensures 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.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

2 Summary of Significant Accounting Policies (cont'd)

(j) Property, Plant and Equipment (cont'd)

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 profit or loss to the extent that it exceeds any surplus held in revaluation reserve relating to a previous revaluation at the same class of assets.

(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 profit or loss 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, except for those maturing within 12 months after the balance sheet date which are presented as 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) 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.

2 Summary of Significant Accounting Policies (cont'd)

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

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 profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, 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 profit or loss, a reversal of that impairment is also recognised in profit or loss.

(n) Impairment of Financial Assets

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

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

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.

(o) 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 profit or loss over the period of the borrowings using the effective interest method.

2 Summary of Significant Accounting Policies (cont'd)

(p) 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.

(q) Provisions

Provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

(r) 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.

(s) 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 as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

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 profit or loss on a straight-line basis over the period of the leases.

(t) Borrowing Costs

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

2 Summary of Significant Accounting Policies (cont'd)

(u) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

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.

(v) Share Capital and Treasury Shares

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

When any entity within the Group purchases the Company's ordinary shares ("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.

(w) 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.

(i) Revenue from sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2 Summary of Significant Accounting Policies (cont'd)

(w) Revenue Recognition (cont'd)

(ii) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight line basis over the lease term as set out in specific rental agreements.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(x) 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 consolidated 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 temporary 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. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred 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 profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt within other comprehensive income.

Deferred tax assets and liabilities 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 when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2 Summary of Significant Accounting Policies (cont'd)

(y) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the share options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued.

(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 sheets of the Company and statements of changes in equity of the Company are presented in Singapore Dollar ('S$'), which is the functional and presentation currency for the consolidated financial statements.

(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 date are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(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:

2 Summary of Significant Accounting Policies (cont'd)

(z) Foreign Currency Translation (cont'd)

(iii) Translation of Group entities' financial statements (cont'd)

(1) Assets and liabilities are translated at the closing exchange rate at the reporting date;

(2) Income and expenses 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 using the exchange rates at the dates of the transactions); and

(3) All resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

(aa) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

3 Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, which are described in note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) 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.

3 Critical Accounting Estimates and Judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(i) Useful Lives of Property, Plant and Equipment and Investment Property (cont'd)

There is no change in the estimated useful lives of property, plant and equipment and investment property during the year. The carrying values of property, plant and equipment and investment property of the Group as of 31 December 2010 amounted to S$69,115,510 (2009: S$80,052,832). A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximate 2% (2009: 2%) change in the Group's profit for the year. Further details are given in Notes 17 and 18.

(ii) 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 2010 was S$60,702,172 (2009: S$60,702,172). Further details are given in Note 20.

(b) Critical judgements in applying accounting policies

In the process of applying the Company's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

(i) Impairment of Trade and Other Receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency, current economic trends and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables of the Group and the Company as at 31 December 2010 of S$19,505,336 (2009: S$11,119,741) and S$1,920,000 (2009: S$7,836,000) respectively.

Impairment loss on trade and other receivables of S$104,309 (2009: S$104,309) has been recognised for the financial year ended 31 December 2010.

3 Critical Accounting Estimates and Judgements (cont'd)

(b) Critical judgements in applying accounting policies (cont'd)

(ii) 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 2010, 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.

(iii) 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 2010 amounted to S$1,987,553 (2009: S$7,131,532). See Note 14.

4 Revenue

	Group	
	2010	**2009**
	S$'000	**S$'000**
Sale of goods	128,403	46,637
Rental income (Note 18)	630	630
	129,033	47,267

5 Employee Benefits Expense

	Group 2010 S$'000	Group 2009 S$'000
Salaries and wages	(9,279)	(6,307)
Expenses on executive bonus plan to key management personnel	(1,929)	-
Contributions to defined contribution plans	(1,602)	(1,305)
Expense on share-based payments granted to employees	-	(2)
	(12,810)	(7,614)

6 Other Expenses

	Group 2010 S$'000	Group 2009 S$'000
The major components include the following:		
Utilities	(4,415)	(2,837)
Rental expense (includes leasing of land)	(1,428)	(1,409)
Upkeep of machinery	(1,294)	(822)
Freight charges	(988)	(322)
Legal and professional fees	(602)	(213)
Upkeep of properties	(281)	(210)
Insurance	(151)	(293)

7 Other (Charges)/Credits

	Group 2010 S$'000	Group 2009 S$'000
Property, plant and equipment written off - net	-	(17)
Provision for impairment of inventories (Note 14)	(1,987)	(3,521)
Reversal of provision for impairment of inventories (Note 14)	681	-
Foreign exchange losses - net	(1,426)	(2,210)
Gain on disposal of assets classified as held for sale	36	-
Gain on disposal of property, plant and equipment	-	12
Provision for impairment of non-trade debts (Note 13)	-	(20)
Write-back of impairment of trade doubtful debts (Note 13)	-	135
Inventories written off	(442)	(150)
Loss on liquidation and deregistration of subsidiaries	(348)	-
Goodwill written off (Note 20)	-	(20,000)
Others	328	305
	(3,158)	(25,466)

No non-audit service fees have been paid to the auditors of the Group and Company for the years ended 31 December 2010 and 2009.

8 Finance Income

Finance income represents interest income from cash and cash equivalents.

9 Finance Expense

	Group 2010 S$'000	Group 2009 S$'000
Interest expense		
- borrowings	(108)	(309)
- finance lease obligation	(397)	(301)
	(505)	(610)

10 Income Tax

	Group 2010 S$'000	Group 2009 S$'000
Current tax:		
- (Over)/under provision in prior year	(81)	110
- current year	4,137	27
Deferred tax:		
- Under/(over) provision in prior year	488	(604)
- current year	-	(541)
	4,544	(1,008)

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

	Group 2010 S$'000	Group 2009 S$'000
Profit/(loss) before income tax	33,289	(25,336)
Tax at the applicable tax rate of 17% (2009: 17%)	5,659	(4,307)
Tax effect of non-deductible items	957	3,675
Income not subject to taxation	(345)	(120)
(Over)/under provision of income tax in prior year	(81)	110
Under/(over) provision of deferred tax in prior year	488	(604)
Tax exemptions	(45)	-
Effect of change in tax rate	-	(105)
Effect of different tax rates in other countries	654	(134)
Effect of utilisation of deferred tax benefits previously not recognised	(1,353)	-
Utilisation of reinvestment allowance	(1,390)	-
Deferred tax assets not recognised	-	477
	4,544	(1,008)

10 Income Tax (cont'd)

The tax rate used for the 2010 and 2009 reconciliations above is the corporate tax rate of 17% (2009: 17%) payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction.

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

The deferred tax assets and liabilities are as follows:

	2009 S$'000	Debited/ (credited) to income statement S$'000	2010 S$'000
Group			
2010			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	3,088	1,330	4,418
Others	168	-	168
Total deferred tax liabilities	3,256	1,330	4,586
Deferred tax assets:			
Provision	(27)	(153)	(180)
Unutilised tax losses	(691)	503	(188)
Unutilised capital allowance	-	(1,192)	(1,192)
Total deferred tax assets	(718)	(842)	(1,560)
Net deferred tax liabilities	2,538	488	3,026
2009			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	4,046	(958)	3,088
Others	194	(26)	168
Total deferred tax liabilities	4,240	(984)	3,256
Deferred tax assets:			
Provision	(12)	(15)	(27)
Unutilised tax losses	(190)	(501)	(691)
Unutilised capital allowance	(268)	268	-
Others	(87)	87	-
Total deferred tax assets	(557)	(161)	(718)
Net deferred tax liabilities	3,683	(1,145)	2,538

10 Income Tax (cont'd)

As at 31 December 2010, certain subsidiaries had unutilised tax losses and unutilised capital allowances of approximately S$1,627,000 (2009: S$3,544,000) and S$7,047,000 (2009: S$13,087,000) respectively, available for offset against future taxable income, subject to agreement with the tax authorities on the relevant tax regulations. In addition, as at 31 December 2010, a subsidiary incorporated in Malaysia had unutilised reinvestment allowance of S$3,350,000 (2009: S$11,526,471) 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 capital allowances and unutilised tax losses of certain subsidiaries had not been recognised in accordance with the accounting policy in Note 2(x) to the financial statements.

11 Earnings Per Share

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

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

	Group	
	2010	**2009**
	S$'000	**S$'000**
Profit/(loss) for the year attributable to shareholders	28,745	(24,328)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	348,619,297	354,230,297
Basic earnings/(loss) per share (cents)	8.25	(6.87)
Diluted earnings/(loss) per share (cents)	8.25	(6.87)

Basic earnings/(loss) per share ratio is based on the weighted average number of common shares outstanding during each period. The diluted earnings/(loss) 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	
	2010	**2009**	**2010**	**2009**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash on hand and in banks (i)	20,298	24,497	3,394	922
Fixed deposit - restricted (ii)	234	181	-	-
	20,532	24,678	3,394	922

(i) The rate of interest for the cash on interest earning accounts is between nil and 0.3% in 2010 (2009: Nil and 4%). These approximate the weighted average effective interest rate.

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

13 Trade Receivables and Other Current Assets

	Group 2010 S$'000	Group 2009 S$'000	Company 2010 S$'000	Company 2009 S$'000
Trade receivables:				
Third parties	14,510	8,787	-	2
Related parties (Note 30)	134	160	-	-
	14,644	8,947	-	2
Less allowance for impairment	(84)	(84)	-	-
	14,560	8,863	-	2
Other receivables and deposits:				
Subsidiaries (Note 30)	-	-	1,895	7,834
Third parties	970	1,432	11	-
Deposits to secure services	55	773	-	-
	1,025	2,205	1,906	7,834
Less allowance for impairment	(20)	(20)	-	-
	1,005	2,185	1,906	7,834
Trade and other receivables, and deposits	15,565	11,048	1,906	7,836
Prepayments	3,940	72	14	-
Trade receivables and other current assets	19,505	11,120	1,920	7,836
Movements in allowance for impairment of trade and other receivables are as follows:				
Balance at beginning of the year	104	251	-	-
Provision for impairment allowance	-	20	-	-
Write-back of impairment allowance	-	(135)	-	-
Bad debts written off	-	(32)	-	-
Balance at end of the year	104	104	-	-

The average credit period generally granted to trade receivable customers is between 30 - 90 days in 2010 (2009: 30 - 90 days).

The Group's trade receivables due from third parties includes outstanding receivables amounting to approximately S$9.5 million (2009: S$6.3 million) from a key customer which accounts for approximately 82% (2009: 68%) of the Group's total revenue. 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.

13 Trade Receivables and Other Current Assets (cont'd)

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

	Group	
	2010 S$'000	2009 S$'000
Concentration of trade receivables customers:		
Top 1 customer	9,518	6,265
Top 2 customers	10,221	6,949
Top 3 customers	10,877	7,412

14 Inventories

	Group	
	2010 S$'000	2009 S$'000
Cost:		
Finished goods and goods for resale	11,776	11,336
Work-in-progress	25,447	19,051
Raw materials	8,137	7,271
	45,360	37,658
Less allowance for impairment	(10,855)	(12,410)
	34,505	25,248
Movements in the allowance for impairment of inventories:		
Balance at the beginning of the year	12,410	5,278
Provision for impairment		
- cost of sales	-	3,611
- other charges (Note 7)	1,987	3,521
- reversal	(681)	-
Inventories written off against impairment allowance	(2,861)	-
Balance at end of the year	10,855	12,410

Inventory amounting to S$680,987 was written back to profit or loss because these inventories are considered to be usable in the production process or saleable to third parties.

15 Assets Classified as Held for Sale

	Group 2010 S$'000	Group 2009 S$'000
Cost:		
At beginning of year	672	-
Reclassified from property, plant and equipment	6,791	679
Foreign exchange adjustment	10	(7)
Disposal	(759)	-
At end of year	6,714	672
Accumulated depreciation:		
At beginning of year	42	-
Depreciation for the year	-	-
Disposal	(90)	-
Reclassified from property, plant and equipment	2,346	42
At end of year	2,298	42
Net book value:		
At end of year	4,416	630

During the financial year, a leasehold property in Singapore is presented separately as "Asset classified as held for sale" in the balance sheet following the decision of management to sell it to a third party after 2010. No impairment loss was recognised on the reclassification of leasehold property as at 31 December 2010.

In the prior year, the assets were included as unallocated assets for segment reporting purposes. See Note 35.

16 Investments in Subsidiaries

	Company 2010 S$'000	Company 2009 S$'000
Unquoted equity shares at cost	166,222	139,980
Less: provision for impairment	(3,318)	(3,318)
	162,904	136,662

16 Investments in Subsidiaries (cont'd)

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	
		2010 %	2009 %	2010 S$'000	2009 S$'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 (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 Pte Ltd (Singapore)	Investment holding and precision machining of medical and wafer fabrication equipment parts manufacturers and providing electroplating and anodising services	100	100	126,983	126,983
UMS Aerospace Pte Ltd (Singapore)	Precision machining of machine parts for oilfield precision component manufacturers and other industries	100	100	20,000[#]	-
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	10[#]	-

16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group 2010 %	Effective percentage of equity held by Group 2009 %	Company's cost of investment 2010 S$'000	Company's cost of investment 2009 S$'000
Held by the Company (cont'd)					
Ultimate Machining Solutions (M) Sdn. Bhd. (Malaysia) * [2]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100	6,232[#]	-
				166,124	139,882
Add expenses recognised relating to equity settled share-based payments (Note 27)				42	42
Add corporate guarantee given to subsidiaries				56	56
				166,222	139,980
Held through UMS International Pte Ltd					
Norelco Centreline (KL) Sdn. Bhd. (Malaysia) [1]	Liquidated during the year	-	100		
Ultimate Manufacturing Solutions (M) Sdn. Bhd (Malaysia) [2]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100		
Norelco Centreline (Hong Kong) Pte Limited (Hong Kong) [1]	Deregistered during the year	-	100		
Held through UMS Pte Ltd					
UMS Solutions Pte Ltd (Singapore)	Holder of investment property	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 2010 %	2009 %	Company's cost of investment 2010 S$'000	2009 S$'000
Held through Ultimate Machining Solutions (M) Sdn Bhd					
A1 Metal Sdn Bhd [2] (Malaysia)	General trading	100	-		

* Less than S$1,000.
[#] Increase in cost of investment is due to additional investment in shares made by the Company.

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 Moore Stephens AC, Malaysia, a member firm of Moore Stephens International Limited, of which Moore Stephens LLP, Singapore is also a member.

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					
2010					
Cost:					
At beginning of year	3,719	18,134	11,771	115,092	148,716
Foreign exchange adjustment	86	424	-	497	1,007
Additions	200	2,105	-	2,339	4,644
Disposals/write-off	-	-	-	(707)	(707)
Reclassification	265	(265)	-	-	-
Reclassified to asset held for sale	-	-	(4,551)	(2,240)	(6,791)
At end of year	4,270	20,398	7,220	114,981	146,869
Accumulated depreciation:					
At beginning of year	-	264	1,802	70,436	72,502
Foreign exchange adjustment	-	5	-	248	253
Depreciation for the year	-	358	286	11,022	11,666
Disposals/write-off	-	-	-	(707)	(707)
Reclassified to asset held for sale	-	-	(924)	(1,422)	(2,346)
At end of year	-	627	1,164	79,577	81,368
Net book value:					
At end of year	4,270	19,771	6,056	35,404	65,501
2009					
Cost:					
At beginning of year	3,969	16,577	11,771	115,730	148,047
Foreign exchange adjustment	(92)	(394)	-	(472)	(958)
Additions	102	2,370	-	973	3,445
Disposals/write-off	-	-	-	(264)	(264)
Reclassified to investment property	-	-	-	(875)	(875)
Reclassified to asset held for sale	(260)	(419)	-	-	(679)
At end of year	3,719	18,134	11,771	115,092	148,716
Accumulated depreciation:					
At beginning of year	-	210	1,814	59,710	61,734
Foreign exchange adjustment	-	(6)	-	(243)	(249)
Depreciation for the year	-	102	286	11,216	11,604
Disposals/write-off	-	-	-	(247)	(247)
Reclassified to investment property	-	-	(298)	-	(298)
Reclassified to asset held for sale	-	(42)	-	-	(42)
At end of year	-	264	1,802	70,436	72,502
Net book value:					
At end of year	3,719	17,870	9,969	44,656	76,214

17 Property, Plant and Equipment (cont'd)

The Group's freehold land and buildings of net book value of S$18,113,661 was pledged to banks to secure the bank loans and banking facilities granted to the Group in 2009 (Note 23).

Plant and equipment with a net book value as at 31 December 2010 of S$11,660,438 (2009: S$12,339,775) are under finance lease agreements (Note 24).

18 Investment Property

	Group	
	2010 S$'000	2009 S$'000
Cost:		
At beginning of year	4,975	4,100
Reclassified from property, plant and equipment	-	875
At end of year	4,975	4,975
Accumulated depreciation:		
At beginning of year	1,137	702
Depreciation for the year	224	137
Reclassified from property, plant and equipment	-	298
At end of year	1,361	1,137
Net book value:		
At end of year	3,614	3,838

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$630,442 (2009: S$630,422) and S$169,589 (2009: S$269,449), respectively, as at 31 December 2010. The estimated fair value of the leasehold property amounted to S$7,000,000 (2009: S$13,000,000) as determined on the basis of management's review of similar properties in the market.

19 Financial Assets, Held-to-Maturity-Non-Current

	Group	
	2010 S$'000	2009 S$'000
Unquoted investment, at amortised cost	4,490	4,891

Unquoted investment represents the 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 on 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.

Management considers the fair value of the embedded foreign exchange option contract to be Nil (2009: Nil) as the current spot foreign exchange rate of 1.0390 is below the strike price of 1.348, which is out of the money.

20 Goodwill

	Group 2010 S$'000	Group 2009 S$'000
At beginning and end of year	60,702	60,702

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 2010 S$'000	Semiconductor segment 2009 S$'000
UMS Pte Ltd (formerly known as UMS Semiconductor Pte Ltd)	59,778	79,778
Ultimate Manufacturing Solutions (M) Sdn. Bhd.	924	924
	60,702	80,702
Less: Impairment loss on goodwill	-	(20,000)
	60,702	60,702

The goodwill was assessed for impairment on 31 December 2010. The recoverable amount of a CGU is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are as follows:

		2010	2009
1.	Estimated discount rates using pre-tax rates that reflect current market assessments of the risks specific to the CGUs	11% - 14%	10% - 11%
2.	Growth rates used to calculate the terminal value based on industry growth forecasts	2%	1%
3.	Cash flow forecasts derived from the most recent financial budgets approved by management	5 years	5 years
4.	Gross margin	41% - 54%	45% - 68%

These assumptions were used for the analysis of each CGU. Management recognises the speed of technological change and the possibility of new entrants can have a significant impact on the growth rate assumptions. The effect of new entrants is not expected to have a significant adverse impact on the forecasts included in the budget. The budgeted gross margin is based on past performance and expectations of market development.

Sensitivity analysis

Management had considered the possibility of an increase or decrease in the estimated growth rate and the discount rate used. A 5% increase/decrease in the estimated growth rate and the discount rate used would not result in a recoverable amount lower than the carrying amount of goodwill.

21 Short-Term Borrowings

	Group	
	2010	2009
	S$'000	S$'000
Bank loans		
- unsecured	-	2,000

In respect of the financial year 2009, the unsecured bank loans were denominated in Singapore Dollar, incurred floating interest rates ranging from 1.46% to 2.01% per annum with a corporate guarantee by the Company and with maturities of less than 60 days.

The short-term borrowings were fully settled during the financial year.

22 Trade and Other Payables

	Group		Company	
	2010	2009	2010	2009
	S$'000	S$'000	S$'000	S$'000
Trade payables:				
Third parties	11,488	10,873	-	53
Related parties (Note 30)	496	303	-	-
	11,984	11,176	-	53
Other payables:				
Subsidiaries (Note 30)	-	-	93	248
Third parties	376	2,259	12	12
Accrued expenses	5,302	2,381	1,603	436
Deposits received	809	1,642	-	-
Payables on purchase of non-current assets	-	2,217	-	-
	6,487	8,499	1,708	696
	18,471	19,675	1,708	749

The average credit period taken to settle non-related trade payables is approximately 60 days in 2010 (2009: 60 days). The other payables are with short-term durations.

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

23 Long-Term Borrowings

	Group 2010 S$'000	Group 2009 S$'000
Bank borrowings - Current	-	670
Bank borrowings - Non-current	-	7,289
	-	7,959

The long-term borrowings of the Group granted by the financial institutions was denominated in Malaysian Ringgit and incurred an effective interest rate of 3.9% per annum. The borrowings were secured by the Group's freehold land and factory building (Note 17).

During the financial year, there were no defaults or breaches of loan agreement terms and all the bank borrowings were fully settled during the year.

24 Finance Lease Obligation

	Minimum Payments S$'000	Interest S$'000	Present Value S$'000
Group			
2010			
Within 1 year	4,667	(193)	4,474
Within 2 to 5 years	2,718	(53)	2,665
	7,385	(246)	7,139
2009			
Within 1 year	5,112	(339)	4,773
Within 2 to 5 years	5,831	(178)	5,653
	10,943	(517)	10,426

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 2010, the rate of interest for finance leases ranges from 2.25% to 4.08% per year (2009: 2.57% to 4.54%). There is an exposure to 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 (Note 17).

The Company has no obligations under finance lease.

25 Long-Term Provision

	Group 2010 S$'000	Group 2009 S$'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.

26 Share Capital

	Group and Company Number of ordinary shares	Group and Company Share capital S$'000
2010		
Balance at beginning of year	393,604,284	152,822
Cancellation of shares during the year	(49,849,957)	(16,199)
Balance at end of year	343,754,327	136,623
Less treasury shares:		
Balance at beginning of year	39,370,957	13,494
Purchases of treasury share	9,979,000	2,500
Cancellation of treasury shares and share buy back	(49,349,957)	(15,994)
Balance at end of year	-	-
Net balance	343,754,327	136,623
2009		
Balance at beginning and end of year	393,604,284	152,822
Less treasury shares:		
Balance at beginning of year	39,375,623	13,496
Treasury shares reissued under the share-based payment granted to employees (Note 27)	(4,666)	(2)
Balance at end of year	39,370,957	13,494
Net balance	354,233,327	139,328

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share.

26 Share Capital (cont'd)

The ordinary shares of no par value carry no right to fixed income and are fully paid. The only externally imposed capital requirement is that for the Company to maintain its listing on the Singapore Stock Exchange it has to have a free float of at least 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.

Treasury Shares

The Company is authorised by the shareholders to buy up to 10% of the ordinary share capital of the Company. The Company acquired 9,979,000 (2009: Nil) Treasury Shares during the financial year. The shares are held as "treasury shares". In 2009, the Company transferred 4,666 treasury shares for the purposes of the UMS Restricted Share Plan. Accordingly, such treasury shares were issued and allotted to employees pursuant to the awards granted to them under the UMS Restricted Share Plan. In addition, 49,349,957 treasury shares bought back were cancelled (2009: nil). The number of treasury shares after the purchase, cancellation and transfer to the UMS Restricted Share Plan is Nil (2009: 39,370,957).

27 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's 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-years 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.

27 Share-Based Payments (cont'd)

Details of the share awards outstanding as at 31 December 2010 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	4,667	(4,667)	-	-	1 April 2010	0.480
	4,667	(4,667)	-	-		
PSP:						
15 March 2007	200,000	-	(200,000)	-	1 April 2010	0.480
	204,667	(4,667)	(200,000)	-		

In respect of the financial year 2010, the Company paid by cash for 4,667 RSP treasury shares at the exercise price of S$0.480 cents per share.

28 Reserves

	Group		Company	
	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000
Capital reserve (a)	-	-	85	85
Statutory reserve (b)	51	51	-	-
Foreign exchange translation reserve (c)	(1,079)	(1,555)	-	-
	(1,028)	(1,504)	85	85

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 27 above.

(b) Statutory Reserve

Pursuant to the relevant laws and regulations for enterprises operating exclusively with foreign capital, profits of the subsidiaries in The People's Republic of China ("PRC") are available for distribution in the form of cash dividends to the investors after the subsidiaries has (1) satisfied all tax liabilities; (2) provided for losses in previous year's 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.

28 Reserves (cont'd)

(b) Statutory Reserve (cont'd)

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.

29 Dividends

In 2010, a final dividend of S$3,542,333 (2009: S$1,771,098) representing approximately $0.010 per share (2009: S$0.0050) for the financial year 2009 and an interim exempt (one tier) dividend of S$6,875,087 (2009: Nil), representing approximately S$0.020 per share (2009: Nil) for the financial year 2010, 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 $0.020 per share and a special exempt (one-tier) dividend of S$0.010 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 2010 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.

30 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.

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

	Group	
	2010	**2009**
	S$'000	**S$'000**
Sale of goods	(117)	(33)
Payment on behalf for purchases and services	(923)	(566)
Subcontractor works	3,032	845
Professional fees	8	14
Purchase of goods	33	147

Related parties are companies in which Mr Luong Andy and Mr N.Sreenivasan (directors of the Company) have an interest.

Key management compensation

	Group	
	2010	**2009**
	S$'000	**S$'000**
Salaries and employee benefits	4,420	1,853

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:

	Group	
	2010	**2009**
	S$'000	**S$'000**
Remuneration of directors of the Company	1,674	634
Fees to directors of the Company	322	216
Remuneration of other directors of subsidiaries	58	145
Staff remuneration to wife of Mr. Luong Andy, a director of the Company	-	321
Executive bonus plan	1,929	-

31 Financial Guarantees

	Group	
	2010	2009
	S$'000	S$'000
Corporate guarantees in favour of subsidiaries	7,139	12,426

The financial guarantees were not recorded at fair value in the company's balance sheet in accordance with the accounting policy disclosed in Note 2(r), as in the opinion of the directors, the amounts involved are not material.

32 Capital Commitments

There are no capital commitments for future capital expenditure not provided in the financial statements.

33 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	
	2010	2009
	S$'000	S$'000
Within 1 year	1,336	1,259
Within 2 to 5 years	5,026	4,997
After 5 years	6,105	6,487
Rental expense for the year	1,382	1,363

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.

34 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	
	2010 S$'000	2009 S$'000
Within 1 year	378	630
Within 2 to 5 years	-	386
Rental income for the year	630	630

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.

35 Financial Information by Segments

Business segments: The Group's businesses are organised into two main business segments, namely semiconductor, and contract equipment manufacturing ("CEM") and others. The semiconductor segment provides precision machining components and equipment modules for semiconductor equipment manufacturers. The CEM segment is the supplier of assembly and test equipment to hard disk drive manufacturers and base components to oil and gas original equipment manufacturers ("OEM").

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.

Geographical segments: The Group operates in three principal geographical areas namely Singapore, United States of America and others.

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

35 Financial Information by Segments (cont'd)

Segment information about these businesses is presented below:

Business Segments

	CEM		Semiconductor		Total for continuing operations	
	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000
Group						
Total segment sales	13,848	9,797	137,678	48,295	151,526	58,092
Inter-segment sales	(3,996)	(2,425)	(18,497)	(8,400)	(22,493)	(10,825)
Sales to external parties	9,852	7,372	119,181	39,895	129,033	47,267
Adjusted EBITA	1,109	(596)	44,543	7,539	45,652	6,943
Goodwill impairment	-	-	-	(20,000)	-	(20,000)
Finance income	1	36	31	36	32	72
Finance expense	396	301	109	309	505	610
Depreciation	3,595	3,847	8,295	7,894	11,890	11,741
Total assets	33,932	43,714	359,694	321,797	393,626	365,511
Total assets includes:						
Additions to property, plant and equipment	6	32	4,638	3,413	4,644	3,445
Total liabilities	22,392	42,876	86,254	83,500	108,646	126,376

Sales between segments are carried out at arm's length. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

The performance of the operating segments based on a measure of earnings before interest, tax, depreciation ("adjusted EBITA"). This measurement basis excludes the effects of expenditure from the operating segments such as goodwill impairment that are not expected to recur regularly in every period. Depreciation, finance income and finance expenses are not allocated to segments.

A reconciliation of adjusted EBITA to profit/(loss) before income tax is provided as follows:

	Group	
	2010 S$'000	2009 S$'000
Adjusted EBITA for reportable segments	45,652	6,943
Goodwill impairment	-	(20,000)
Depreciation	(11,890)	(11,741)
Finance expense	(505)	(610)
Finance income	32	72
Profit/(loss) before income tax	33,289	(25,336)

35 Financial Information by Segments (cont'd)

Geographical Segments

	Singapore		USA		Others		Total	
	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000	2010 S$'000	2009 S$'000
Group								
Total sales to external parties	69,800	5,622	39,015	31,362	20,218	10,283	129,033	47,267
Other geographical information:								
Non-current assets:								
Property, plant and equipment	32,999	44,656	-	-	32,502	31,558	65,501	76,214
Investment property	3,614	3,838	-	-	-	-	3,614	3,838
Goodwill	59,778	59,778	-	-	924	924	60,702	60,702
	96,391	108,272	-	-	33,426	32,482	129,817	140,754

A reconciliation of total assets for reportable segments to total assets is as follows:

	Group	
	2010 S$'000	2009 S$'000
Total asset for reportable segments from continued operations	393,626	365,511
Unallocated assets	4,416	630
Elimination of inter-segment receivables	(184,777)	(158,820)
Total assets	213,265	207,321

A reconciliation of total liabilities for reportable segments to total liabilities is as follows:

	Group	
	2010 S$'000	2009 S$'000
Total liabilities for reportable segments from continued operations	108,646	126,376
Elimination of inter-segment payables	(74,312)	(81,887)
Total liabilities	34,334	44,489

Information about major customers

Included in revenues arising from semiconductor segments of S$119.2 million (2009: S$39.9 million) are revenues of approximately S$105.6 million (2009: S$32.1 million) which arose from sales to the Group's largest customer.

36 Financial Instruments

(a) Financial Risk Management Policies and Objectives

The Group and the Company is exposed to financial risks arising from its operation and the use of financial instruments. The main risks include capital risk, credit risk, interest rate risk, liquidity risk and foreign currency risk comprising interest rate and currency risk exposures. The management reviews and monitors policies for managing each of these risks and they are summarised below.

(i) Capital Risk

The Group's objectives when managing capital are: (a) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (b) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group's overall strategy remains unchanged from 2009.

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 (exclude income tax payable, deferred tax and long-term provision) 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**	
	2010	**2009**	**2010**	**2009**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Net debt	5,078	15,382	(1,686)	(173)
Adjusted capital	178,931	162,832	166,510	144,590
Debt-to-adjusted capital ratio	0.03	0.09	N.M	N.M

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2009 and 2010.

36 Financial Instruments (cont'd)

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

(ii) Credit Risk

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash and cash equivalents and trade and other receivables. Credit risk on cash balances 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 profit or loss. The carrying amount of financial assets recorded in the financial statements, grossed up for any provision for impairment, represents the Group's maximum exposure to credit risk.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Not past due and not impaired	14,829	10,854	1,906	7,836
Past due but not impaired[1]	736	194	-	-
	15,565	11,048	1,906	7,836
Impaired receivables - individually assessed[2]	104	104	-	-
Less: Provision for impairment	(104)	(104)	-	-
	-	-	-	-
Trade and other receivables, net	15,565	11,048	1,906	7,836

[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.

36 Financial Instruments (cont'd)

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

(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 resets 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.

The tables below set out the Group's and Company's exposure to interest rate risk. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Interest bearing at variable interest rates			
	Within 1 year S$'000	More than 1 year S$'000	Non-interest bearing S$'000	Total S$'000
Group				
At 31 December 2010				
Assets				
Trade and other receivables, and deposits	-	-	15,565	15,565
Cash and cash equivalents	17,039	-	3,493	20,532
Financial assets, held to maturity	-	4,490	-	4,490
Total assets	17,039	4,490	19,058	40,587
Liabilities				
Trade and other payables	-	-	18,471	18,471
Finance lease obligation	4,474	2,665	-	7,139
Total liabilities	4,474	2,665	18,471	25,610

36 Financial Instruments (cont'd)

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

(iii) Interest Rate Risk (cont'd)

	Interest bearing at variable interest rates Within 1 year S$'000	More than 1 year S$'000	Non-interest bearing S$'000	Total S$'000
Group (cont'd)				
At 31 December 2009				
Assets				
Trade and other receivables, and deposits	-	-	11,048	11,048
Cash and cash equivalents	24,678	-	-	24,678
Financial assets, held to maturity	-	4,891	-	4,891
Total assets	24,678	4,891	11,048	40,617
Liabilities				
Short-term borrowings	2,000	-	-	2,000
Trade and other payables	-	-	19,675	19,675
Long-term borrowings	670	7,289	-	7,959
Finance lease obligation	4,773	5,653	-	10,426
Total liabilities	7,443	12,942	19,675	40,060
Company				
At 31 December 2010				
Assets				
Trade and other receivables, and deposits	-	-	1,813	1,813
Cash and cash equivalents	3,381	-	13	3,394
Total assets	3,381	-	1,826	5,207
Liabilities				
Trade and other payables	-	-	1,615	1,615
Total liabilities	-	-	1,615	1,615
At 31 December 2009				
Assets				
Trade and other receivables, and deposits	-	-	7,836	7,836
Cash and cash equivalents	922	-	-	922
Total assets	922	-	7,836	8,758
Liabilities				
Trade and other payables	-	-	749	749
Total liabilities	-	-	749	749

36 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 interest rates at the reporting date would result in a corresponding increase/(decrease) as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Income statement and equity	(14)	(16)	-	-

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 based on contractual undiscounted cash flows.

	Total S$'000	**Within 1 year S$'000**	**Within 2 and 5 years S$'000**	**After 5 years S$'000**
Group				
2010				
Trade and other payables	18,471	18,471	-	-
Borrowings	7,385	4,667	2,718	-
	25,856	23,138	2,718	-
2009				
Trade and other payables	19,675	19,675	-	-
Borrowings	22,332	8,066	9,881	4,385
	42,007	27,741	9,881	4,385

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, this amount was not included above.

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the full guaranteed amount is claimed by the counterparty to the guarantee is S$7,139,000 (2009: S$12,426,000). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

36 Financial Instruments (cont'd)

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

(iv) Liquidity Risk (cont'd)

	Total S$'000	Within 1 year S$'000	Within 2 and 5 years S$'000	After 5 years S$'000
Company				
2010				
Trade and other payables	1,708	1,708	-	-
2009				
Trade and other payables	749	749	-	-

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit 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.

36 Financial Instruments (cont'd)

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

(v) Foreign Currency Risk (cont'd)

A 10% strengthening of the following currencies against the Singapore dollar at the reporting date would affect both the income statement and equity by the amounts shown below. A 10% weakening of the following currencies against the Singapore dollar would have had the equal but opposite effect. This analysis assumes that all other variables remain constant.

	Group		Company	
	(Decrease)/Increase			
	Profit after income tax S$'000	Equity S$'000	Profit after income tax S$'000	Equity S$'000
2010				
Chinese renminbi	3	3	-	-
Japanese yen	47	47	-	-
Euro	1	1	-	-
Malaysian ringgit	(36)	(36)	-	-
United States dollar	2,364	2,364	318	318

	Increase/(Decrease)			
	Loss after income tax S$'000	Equity S$'000	Loss after income tax S$'000	Equity S$'000
2009				
Chinese renminbi	(2)	(2)	-	-
Japanese yen	500	500	-	-
Euro	2	2	-	-
Malaysian ringgit	701	701	-	-
United States dollar	(2,433)	(2,433)	83	83

36 Financial Instruments (cont'd)

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

(v) Foreign Currency Risk (cont'd)

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	Malaysian Ringgit S$'000	United States Dollar S$'000	Total S$'000
Group							
2010							
Cash and cash equivalents	5,216	31	1	252	567	14,465	20,532
Trade and other receivables, and deposits	419	5	474	21	37	14,609	15,565
Other financial assets	-	-	-	-	-	4,490	4,490
Trade and other payables	(7,305)	(10)	(1)	(268)	(965)	(9,922)	(18,471)
Financial liabilities	(7,163)	-	-	-	-	-	(7,163)
	(8,833)	26	474	5	(361)	23,642	14,953
2009							
Cash and cash equivalents	4,405	33	-	-	1,752	18,488	24,678
Trade and other receivables, and deposits	3,291	6	-	-	261	7,490	11,048
Other financial assets	-	-	-	-	-	4,891	4,891
Trade and other payables	(7,034)	(18)	(4,999)	(16)	(1,067)	(6,541)	(19,675)
Financial liabilities	(12,426)	-	-	-	(7,959)	-	(20,385)
	(11,764)	21	(4,999)	(16)	(7,013)	24,328	557

36 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			
2010			
Cash and cash equivalents	212	3,182	3,394
Trade and other receivables	1920	-	1920
Trade and other payables	(1708)	-	(1708)
2009			
Cash and cash equivalents	90	832	922
Trade and other receivables	7836	-	7836
Trade and other payables	(749)	-	(749)

(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 semiconductor industries, a few major customers and essential personnel. The industries are characterised by rapid technological developments, frequent products introductions, evolving industry standards, changes in customer requirements and short product life cycles. Significant technological changes or the emergence of competitive products with new capabilities could adversely affect the business plan and operating results of the Group.

(b) Fair Value of Financial Instruments

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

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

(i) Other financial assets and financial liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including cash and cash equivalents, 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) 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.

36 Financial Instruments (cont'd)

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

(iii) 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.

37 Subsequent Events

On 21 January 2011, UMS Pte Ltd (the "Vendor"), a company incorporated in Singapore which is a wholly-owned subsidiary of the Group, has entered into an option to sell the leasehold property located at 27 Changi North Crescent Singapore at a cash consideration of S$6,980,000 to a third party (the "Purchaser").

On 27 January 2011, the above option has been exercised by the Purchaser. Accordingly, a sum of S$279,200 has been paid by the Purchaser to the Vendor. The said amount represents 5% of the Sale Price of S$6,980,000 after taking into account the option fee of S$69,800 which has been paid by the Purchaser to the Vendor in consideration of the option.

SUPPLEMENTARY FINANCIAL

INFORMATION DISLOSURES REQUIRED BY SGX-ST LISTING MANUAL

1. Interested Person Transactions

The transactions entered into with interested person during the financial year which fall under Rule 907 of the Listing Manual of the SGX-ST are:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	2010 S$'000	**2009 S$'000**	**2010 S$'000**	**2009 S$'000**
Integrated Manufacturing Technologies Pte Ltd				
Sales	41	8	-	-
Subcontractor works	2,586	810	-	-
Payment on behalf for purchases and services	923	566	-	-
Integrated Manufacturing Technologies Inc.				
Sales	76	25	-	-
Subcontractor works	446	35	-	-
Payment on behalf for purchases and services	33	147	-	-

Note: Transactions above are with companies in which Luong Andy has an equity interest.

2. Properties

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

Location	Description	Tenure	Net Book Value 2010 S$'000	Net Book Value 2009 S$'000
NO 1, 3 (formerly known as Lot 3655 and 3656) Lorong Iks Juru 6, Kawasan Perindustrian Ringan Juru, 14100 Simpang Ampat, Pulau Pinang, Malaysia	Office cum factory building	Freehold	2,375	2,366
No 5 (formerly known as Lot 3657) Lorong Iks Juru 6, Kawasan Perindustrian Ringan Juru, 14100 Simpang Ampat, Pulau Pinang, Malaysia	Office cum factory building	Freehold	-	630
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	5,756	5,886
25 Changi North Crescent Changi North Industrial Estate Singapore 499617	Leased	30 years lease commencing 1 February 2003 and ending 28 February 2033	3,125	3,261
27 Changi North Crescent Changi North Industrial Estate Singapore 499619	Office cum factory building	30 years lease commencing 16 April 2004 and ending 15 April 2034	3,627	3,785
Lot 684, 702, Mukim 13 Jalan Kebun Kecil 14100 Simpang Ampat Seberang Perai Tengah Pulau Pinang, Malaysia	Office cum factory building	Freehold	18,567	17,706

STATISTICS OF SHAREHOLDINGS

AS AT 22 FEBRUARY 2011

Number of shares:	343,754,327
Class of Equity Shares:	Ordinary Shares
Number of Issued Shares:	343,754,327
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	0.56	10,262	0.00
1,000 - 10,000	1,658	47.01	12,000,193	3.49
10,001 - 1,000,000	1,829	51.86	96,491,241	28.07
1,000,001 AND ABOVE	20	0.57	235,252,631	68.44
TOTAL	**3,527**	**100.00**	**343,754,327**	**100.00**

Based on the information provided to the Company as at 22 February 2011, approximately 52.54% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual is complied with.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LUONG ANDY	98,856,727	28.76
2	UOB KAY HIAN PTE LTD	34,878,419	10.15
3	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	21,743,400	6.33
4	CITIBANK NOMINEES SINGAPORE PTE LTD	13,780,000	4.01
5	LIM & TAN SECURITIES PTE LTD	12,437,000	3.62
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,929,000	3.47
7	KIM ENG SECURITIES PTE. LTD.	8,475,163	2.47
8	DBS NOMINEES PTE LTD	8,055,922	2.34
9	OCBC SECURITIES PRIVATE LTD	4,449,000	1.29
10	PHILLIP SECURITIES PTE LTD	3,438,000	1.00
11	HSBC (SINGAPORE) NOMINEES PTE LTD	2,212,000	0.64
12	CIMB SECURITIES (SINGAPORE) PTE LTD	2,042,000	0.59
13	RAFFLES NOMINEES (PTE) LTD	1,952,000	0.57
14	OCBC NOMINEES SINGAPORE PTE LTD	1,758,000	0.51
15	CHAN YEOK PHENG	1,709,000	0.50
16	HONG LEONG FINANCE NOMINEES PTE LTD	1,700,000	0.49
17	TAN POH GHEE	1,515,000	0.44
18	JEFFREY HING YIH PEIR	1,500,000	0.44
19	DMG & PARTNERS SECURITIES PTE LTD	1,442,000	0.42
20	DBSN SERVICES PTE LTD	1,380,000	0.40
	TOTAL	**235,252,631**	**68.44**

Substantial Shareholders As at 22 February 2011

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	98,856,727	11,274,000	110,130,727	32.04
Quest World Investment Limited	-	32,175,419	32,175,419	9.36
Applied Materials, Inc	-	20,639,400	20,639,400	6.00
Sylvia SY Lee Luong	-	110,130,727	110,130,727	32.04

Notes:

(1) Based on the total issued and paid-up ordinary share capital of the Company comprising 343,754,327 Shares.
(2) Luong Andy is deemed to be interested in the 11,274,000 Shares registered in the name of his nominee, Lim & Tan Securities Pte Ltd.
(3) Sylvia SY Lee Luong is Luong Andy's spouse and is deemed to be interested in the 110,130,727 Shares held by Luong Andy.
(4) Quest Word Investment Limited is deemed to be interested in the 32,175,419 Shares registered in the name of its nominee, UOB Kay Hian Pte Ltd.
(5) Applied Materials, Inc is deemed to be interested in the 20,639,400 Shares registered in the name of its nominee, Morgan Stanley Asia (Singapore) Securities Pte Ltd.

FURTHER INFORMATION ON DIRECTORS

Name of Director	Date of Initial Appointment in UMS Holdings Limited	Date of Last Re-election in UMS Holdings Limited	Present and Past Directorship in other Listed Companies	Other Major Appointments
Soh Gim Teik	15 February 2008	30 April 2009	Advanced Holdings Ltd	-
			BBR Holdings (S) Ltd	-
			Craft Print International Limited	-
			Heng Long International Ltd	-
			QAF Limited	-
			Sincere Watch Limited (resigned on 7 August 2008 and company delisted from SGX-ST on 8 August 2008)	-
			Novo Group Ltd (resigned on 10 March 2008)	-
N. Sreenivasan	1 March 2008	30 April 2010	Q & M Dental Group (Singapore) Limited – Non Executive Chairman	-
				Managing Director of Straits Law Practice LLC
Neo Ban Chuan	16 July 2008	30 April 2009	-	-
				Managing Director of BC Neo Business Advisory Pte Ltd

FURTHER INFORMATION ON DIRECTORS

Name of Director	Date of Initial Appointment in UMS Holdings Limited	Date of Last Re-election in UMS Holdings Limited	Present and Past Directorship in other Listed Companies	Other Major Appointments
Oh Kean Shen	20 September 2007	30 April 2010	-	-
Luong Andy	1 April 2004	-	Alantac Technology Ltd. (resigned on 30 April 2010)	-
Sylvia SY Lee Luong	30 June 2010	-	-	Quest Word Investment Limited
Loh Meng Chong, Stanley	30 June 2010	-	-	-

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 FRIDAY, 25 MARCH 2011 AT 10.00 A.M. TO TRANSACT THE FOLLOWING BUSINESSES:

ORDINARY BUSINESS:

1. To receive and consider the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2010 and the Auditors' Report thereon.

   Resolution 1

2. To declare a final tax-exempt (one-tier) dividend of 2.0 cents per ordinary share in respect of the financial year ended 31 December 2010.

   Resolution 2

3. To declare a special tax-exempt (one-tier) dividend of 1.0 cent per ordinary share in respect of the financial year ended 31 December 2010.

   Resolution 3

4. To re-elect Mr Neo Ban Chuan, who is retiring by rotation in accordance with Article 104 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 a member of the Remuneration Committee and the Nominating Committee and the Chairman of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.]

   Resolution 4

5. To re-elect Mrs Sylvia SY Lee Luong, who is retiring in accordance with Article 114 of the Company's Articles of Association, as Director of the Company.

   Resolution 5

6. To re-elect Mr Loh Meng Chong Stanley, who is retiring in accordance with Article 114 of the Company's Articles of Association, as Director of the Company.

   Resolution 6

7. To approve the payment of Directors' fees of S$322,000/- for the financial year ended 31 December 2010. [FY2009: S$216,000]

   Resolution 7

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

   Resolution 8

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

SPECIAL BUSINESS:

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

10. **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**

11. **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 treasury shares) from time to time.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 6 April 2011, for the purpose of determining members' entitlements to the final and special tax-exempt (one-tier) dividends (the "Proposed Final & Special Dividends") to be proposed at the Annual General Meeting of the Company to be held on 25 March 2011.

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 5 April 2011 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 will be registered to determine members' entitlements to the Proposed Final and Special Dividends. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares in the Company as at 5:00 p.m. on 5 April 2011 will be entitled to such Proposed Final and Special Dividends.

The Proposed Final and Special Dividends, if approved at the Annual General Meeting will be paid on 15 April 2011.

BY ORDER OF THE BOARD

Shirley Lim Guat Hua
Company Secretary

Singapore: 10 March 2011

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.

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PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT

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

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

I / We ____

of ____

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 25 Changi North Rise, Singapore 498778 on Friday, 25 March 2011 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 financial year ended 31 December 2010		
2	To declare a final tax-exempt (one-tier) dividend		
3	To declare a special tax-exempt (one-tier) dividend		
4	To re-elect Mr Neo Ban Chuan as Director		
5	To re-elect Mrs Sylvia SY Lee Luong as Director		
6	To re-elect Mr Loh Meng Chong, Stanley as Director		
7	To approve directors' fees for the year ended 31 December 2010		
8	To re-appoint Auditors and authorise the directors to fix their remuneration		
	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 __________ 2011

Total number of Shares held

IMPORTANT: PLEASE READ NOTES OVERLEAF

____

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

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 Singapore Companies Act, Cap. 50.

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

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their 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.

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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

Sylvia SY Lee Luong
Executive Director / Chief Operating Officer

Loh Meng Chong, Stanley
Executive Director / Group Financial Controller

AUDIT COMMITTEE

Neo Ban Chuan
Oh Kean Shen
N. Sreenivasan

NOMINATING COMMITTEE

Soh Gim Teik
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
Audit Partner-in-charge: Christopher Bruce Johnson
(appointed with effect from financial year ended 31 December 2007)

SHARE REGISTRAR

Boardroom Corporate and
Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

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

UMS GROUP

UMS Holdings Limited
Company Registration No : 200100340R
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