Annual Report 2018

BUILDING
PRESENCE
BEYOND
BOUNDARIES

UMS GROUP

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CORPORATE PROFILE

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.

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 and California, USA.

"We are now in a better position to further entrench ourselves in the precision engineering industry and offer more integrated value-added engineering services for equipment manufacturers."

LUONG ANDY
Chairman and Chief Executive Officer

CHAIRMAN AND CEO STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present the Annual Report of UMS Holdings Limited ("UMS" or the "Group") for the financial year ended 31 December 2018 ("FY2018"). The year started well although the second half of the year became challenging. However, despite the more difficult second half, we still showed relatively strong and stable performance for the full year. We continued to reward shareholders with quarterly dividends - 4.5 cents in total for the full year. FY2018 has also been a remarkable year for the Group in terms of competencies and capabilities as UMS added production capacity in its Penang Hub and acquired Starke Singapore Pte Ltd ("Starke") in August 2018. The acquisition allows UMS to strengthen its upstream integration to reap supply chain efficiencies and cost savings and enhance business and operational synergies within the Group to better serve global customers.

The Starke acquisition is the Group's second acquisition during the year. The Group had earlier acquired a 29.5% stake of Catalist-listed JEP Holdings Ltd ("JEP") in January 2018. The JEP acquisition forms part of UMS' strategy to diversify beyond its traditional semiconductor business.

With this stronger material sourcing and distribution network, and combined strengths of UMS, JEP and Starke, we can improve operational synergies as well as tap into growth opportunities in new markets.

We are now in a better position to further entrench ourselves in the precision engineering industry and offer more integrated value-added engineering services for equipment manufacturers.

BUSINESS PERFORMANCE

UMS achieved a net profit of S$43 million in FY2018, down 19% from S$52 million from the previous year ended 31 December 2017 ("FY2017"). The Group's revenue fell by 21% to S$128 million in FY2018, against S$163 million in FY2017 in weakening economic conditions.

Contrary to a buoyant first half of FY2018 when our major customers had strong orders from its end-users, the second-half performance was relatively weaker with many customers in the semiconductor industry postponing their capital expenditures.

Plunging memory prices and a sudden shift in companies' strategies in response to trade tensions are driving rapid decline in capital expenditures, especially among leading-edge memory manufacturers, some fabs in China and some projects for mature nodes such as 28nm.

As a result of these factors, revenue from the semiconductor segment declined 23%. Semiconductor Integrated System sales fell 47% to S$47 million in FY2018 from S$87 million a year earlier. Revenue from component sales increased by 5% to S$76 million in FY2018 vs S$73 million in FY2017. Sales in the Others segment rose by 137% after the acquisition of Starke.

Higher percentage of component sales in the Group's product mix helped the Group improve its gross material margin to 60% for FY2018, compared to the 55% recorded in FY2017. Personnel costs were flat mainly due to higher salaries resulting from higher headcount offset by lower bonuses. Depreciation rose 31% mainly due to addition of production machinery while other expenses slid 5% over last year. The Group also benefitted from an S$0.8 million foreign exchange gain due to appreciation of the US dollar during the year and an S$1.6 million gain on bargain purchase of Starke. Income tax expenses slid by 19% in line with lower profits.

STRATEGIC DIVERSIFICATION

The two companies we invested this year were profitable. We will step up efforts to improve our operational synergies and help to spur their growth in the years ahead.

Moving forward, the Group will continue to make efforts to widen its customer base and seek opportunities to diversify its business portfolio through mergers and acquisitions to reduce the dependency on a single segment.

OUTLOOK

The near-term outlook continues to be challenging due to much uncertainty in customers' order flows amid the ongoing China-US trade tensions which affected demand from semiconductor chipmakers.

The longer-term outlook however remains upbeat. SEMI, the global industry association for the electronics manufacturing supply chain reported that even though worldwide sales of new semiconductor manufacturing equipment are projected to dip by 4 percent in 2019, it will bounce back to a 20.7 percent growth to hit an all-time high of US$71.9 billion in 2020.

The semiconductor industry is forecast to expand over the long term, driven by massive growth of interconnected devices with heavy demand for processing power and storage. Data is also expected to see exponential growth, from about 40ZB in 2018 to 50ZB in 2020, leaping to 163ZB in 2026.

This augurs well for the Group given that its primary role in the manufacture of components and systems for various semiconductor equipment. Barring unforeseen circumstances, the Group is optimistic that prospects remain bright for FY2019.

APPRECIATION

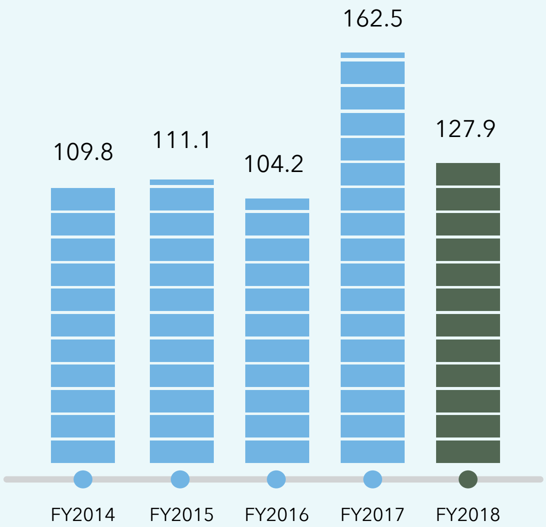
On behalf of the Board, I wish to express my heartfelt gratitude to our business partners and associates, for their commitment and contributions to UMS. Your support will certainly underpin our continued efforts to strive for growth and profitability. To our shareholders, we appreciate your support and belief in our business. The Board and management at UMS remain committed and confident of the Group's business. We aim to continue reporting better financial and operational performance and rewarding shareholders with dividends.

I would also like to take this opportunity to thank the management and staff for their hard work and dedication. And we extend a warm welcome to the management of JEP and Starke into the UMS family. We look forward to a long and fruitful partnership.

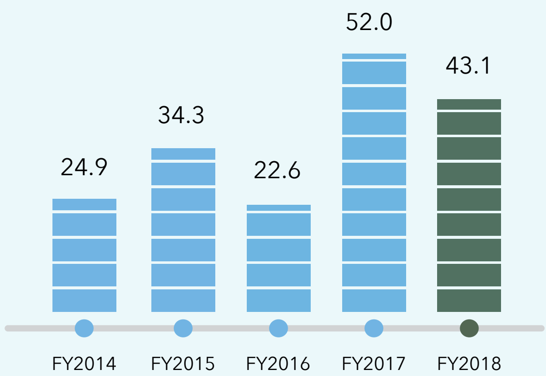
LUONG ANDY
Chairman and Chief Executive Officer
UMS Holdings Limited

FINANCIAL HIGHLIGHTS

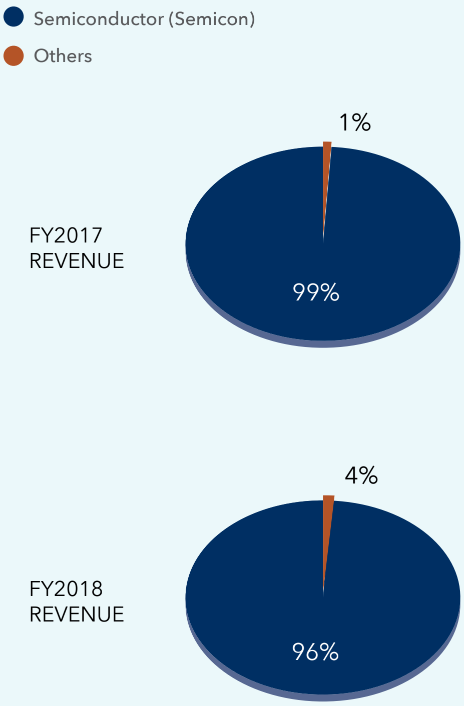
Revenue *S$ Million*



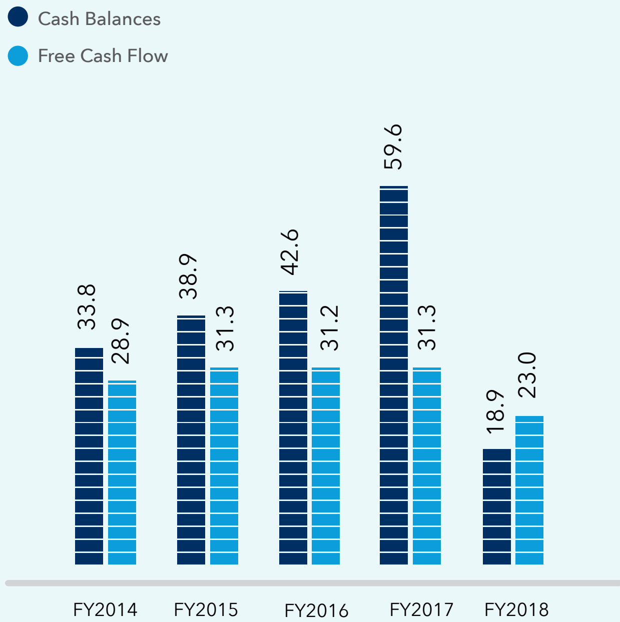
Net Profit *S$ Million*



Segmental Contribution



Cash Balances & Free Cash Flow *S$ Million*



PURSUING GROWTH beyond the present

In the face of significant market challenges, we stayed resilient with improved profit margins through diversifying into new sectors. We will continue to focus on both our core business segments and pursue opportunities in new business and markets, so as to achieve sustainable growth and deliver greater shareholder returns.

OPERATIONS REVIEW

UMS Group provides manufacturing services of components and integrated systems mainly to the semiconductor and related industries. End-users of our products comprise mainly manufacturers of semiconductor wafers and chips.

The Group's results are driven primarily by spending on capital equipment and services to support key technology transitions or to increase production volume to meet worldwide demand for semiconductors.

Spending by semiconductor end-users which include companies in the foundry, memory and logic markets is driven by demand for advanced electronic products such as smartphones and other mobile devices, servers, personal computers, automotive devices, storage, and other products.

UMS' strategic priorities include developing manufacturing capabilities and capacities to help solve customers' product delivery challenges; expanding its market opportunities in the semiconductor and other complex equipment industries.

As key manufacturing partner of its global customers, UMS invests heavily in its production capacities to be "delivery-ready" to meet any surge in customer demand. We work closely with global customers to design systems and processes to meet their planned technical and production needs.

Investment in semiconductor manufacturing equipment and services remained a strong driver of revenue during FY2018. Semiconductor equipment end-users continued to invest in new capacity and technology transitions, although overall spending by our key customer to UMS was lower towards the second half of the year.

Our Semiconductor Integrated System sales decreased 47% in FY2018, resulting from lower customer demand and lower share allocation in line with the latest integrated system business contract. Our component business performed within expectation, growing 5% over last year.

While our key customer anticipates major technology trends to continue driving long-term growth in the semiconductor industry, trends for the second half of 2018 are likely to continue to early FY2019, with lower spending by memory and foundry customers.

The longer-term outlook however remains upbeat. SEMI, the global industry association for the electronics manufacturing supply chain, reported that even though worldwide sales of new semiconductor manufacturing equipment are projected to shrink slightly by 4 percent in 2019, it will bounce back with a 20.7 percent surge with an all-time high of US$71.9 billion in 2020.

The semiconductor industry is forecast to expand over the long term, driven by massive growth of interconnected devices, with heavy demand for processing power and storage.

AVAILABLE CAPACITY TO MEET LONG TERM DEMAND

To bolster our customers' confidence in our manufacturing execution capability, we have invested S$26 million in 2017 and 2018 on new production equipment. This has helped the Group to continue grow its components business in FY2018.

We have also added sheet-metal production capability in our Penang Hub which will further strengthen our vertical integration capabilities and enhance our production capacities. These initiatives taken will put us in good stead when the demand – which may come abruptly – returns. With the substantial investment already made, the Group does not envision incurring high capital expenditure in FY2019.

In January 2018, UMS acquired 29.5% or 429,864,300 ordinary shares of Catalist-listed JEP Holdings Ltd ("JEP") and bought additional shares during the year to maintain shareholding around 28%. Mr Andy Luong had since joined JEP's board. Under the strategic guidance of Mr Luong, JEP managed to increase its profit by 166% from S$0.8 million in FY2017 to a profit of S$2.2 million in FY2018.

REAP LONG-TERM COST SAVINGS FROM PENANG HUB

Our Penang Hub, having a big facility and ample resources, is also maturing quickly with the workforce there ready to take on more complex jobs. The Group will continue to leverage on Penang Hub's cost benefits to offer competitive solutions to existing and prospective customers.

Both our components manufacturing and system integration operations in Penang enjoy a 10-year pioneer tax incentive given by the Malaysian Government.

PERFORMANCE OF GROUP SUBSIDIARIES AND ASSOCIATES

In January 2018, UMS acquired 29.5% or 429,864,300 ordinary shares of Catalist-listed JEP Holdings Ltd ("JEP") and bought additional shares during the year to maintain shareholding around 28%. Mr Andy Luong had since joined JEP's board. Under the strategic guidance of Mr Luong, JEP managed to increase its profit by 166% from S$0.8 million in FY2017 to a profit of S$2.2 million in FY2018.

The Group completed its acquisition of Starke Singapore Pte Ltd ("Starke") in August 2018. This acquisition allows UMS to strengthen its upstream integration to reap cost savings and enhance business and operational synergies within the Group through a more efficient supply chain to serve its customers. Starke runs a profitable business and has recently set up a Malaysian subsidiary to better serve the Malaysian market.

The Group's associate Allstar Manufacturing Sdn Bhd ("Allstar") managed to grow its revenue even though profitability fell below expectations. After much deliberation, the shareholders agreed to a restructuring arrangement enabling UMS to take full ownership of Allstar after the exercise.

Kalf Engineering Pte Ltd ("Kalf"), our water and chemical engineering solutions company, completed three projects in FY2018, one in Cambodia and two in Singapore.

FINANCIAL REVIEW

UMS Group achieved a net profit of S$43.1 million for the financial year ended 31 December 2018 ("FY2018"), a 17% decline from the record net profit of S$52.0 million accomplished in the previous year ended 31 December 2017 ("FY2017"). The Group's revenue fell 21% to S$127.9 million in FY2018, compared to S$162.5 million in FY2017 in the face of a weakening economic environment.

REVENUE

The semiconductor industry was expected to enjoy a robust outlook in early 2018 with a fourth consecutive year of equipment investment growth forecast for 2019 – a feat never achieved before. However in August, the SEMI World Fab Forecast Report – tracking more than 400 fabs and lines with major investment projects – predicted a slowdown in the second half of 2018 and into the first half of 2019.

The Group experienced a reasonably good first half in FY2018. Even though the demand for Semiconductor Integrated System moderated, the Group's component business gained strength over FY2017. This was the result of our continued focus to grow our components business amid keen competition from regional players.

During the second half of FY2018, plunging memory prices and a sudden shift in companies' strategies owing to trade tensions led to rapid declines in capital expenditures, especially among leading-edge memory manufacturers and some fabs in China. This resulted in the Group's revenue dip in the Semiconductor segment.

Semiconductor Integrated System sales fell 47% to S$46.6 million in FY2018 from S$87.4 million a year earlier; while revenue from component sales increased by 5% to S$76.4 million in FY2018 vs S$73 million in FY2017.

Geographically, sales out of Singapore dipped 37% from the previous year due to lower demand for Semiconductor Integrated Systems. Those from the US and Taiwan shot up 41% and 13% respectively vs FY2017 due to higher component sales.

Our diversification efforts are beginning to bear fruit. Even though Semiconductor segment revenue declined 23%, revenue for the Others segment soared by 137%, mainly attributed to the acquisition of Starke Singapore Pte Ltd.

PROFITABILITY

The Group clocked in an improved gross material margin of 60% for FY2018 compared to FY2017 (55%) due to higher percentage of component sales in the Group's product mix. Personnel costs were flat mainly due to higher salaries resulting from higher headcount offset by lower bonuses. Depreciation rose 31% mainly due to addition of production machinery while other expenses slid 5% over last year. Rental expenses were down 50% after consolidation of our US operations into the Milpitas facility. Freight charges fell 14%, upkeep of machinery expenses was down 22%. Legal and professional fees also went down by 11%.

For the full FY2018, the Group benefitted from a S$0.8 million foreign exchange gain (vs a loss of S$3.1 million in FY2017) due to appreciation of the US dollar during the year and a S$1.6 million gain on bargain purchase of Starke Singapore. Income tax expenses slid by 19% in line with lower profits.

The Group's earnings per share ("EPS") for FY2018 stood at 8.0 cents compared to 9.7 cents in FY2017. Group net asset value per share rose to 42.6 cents in FY2018 from 40.1 cents in FY2017.

CASH FLOW AND DIVIDEND

The Group registered positive net cash of S$38.7 million from operating activities and S$23 million of free cash flow in 2018. UMS continued to invest to grow its production capabilities which resulted in an increase in capital expenditure as part of the RM80 million capex plan previously announced to expand its Penang production facility. Inventories rose to S$70.4 million, mainly due to raw materials purchase committed to our suppliers before the abrupt downturn.

The Group has deployed significant amount of cash to invest in businesses outside the semiconductor industry. These investments should provide the group with alternative growth opportunities in the medium-to-long term and provide diversification away from the semiconductor business.

In view of the Group's lower net cash position and to fund our expansion, we need to balance the Group's dividend payments and financing options to ensure sustainable progress. In line with this, the Directors have proposed a final dividend of 2.0 Singapore cents per ordinary share (tax exempt one-tier) without any special dividend this year. This will bring UMS' total dividend for FY2018 to 4.5 Singapore cents per ordinary share.

Together with its interim dividend, UMS' total final dividend constitutes a payout ratio of 56% compared to 58% for the previous corresponding year. Going forward, the Group remains committed to reward its shareholders by reinstating the high payout ratio once the cash flow requirements of the business permits. The Directors have also proposed a share buyback mandate as part of its effort to enhance shareholders' value.

INVESTOR RELATIONS

The UMS management places great importance on building good relationships with our local and overseas investors, analysts and media, and keeping them updated on our business strategies, financial performance and operations. Official announcements and press releases are filed on the Singapore Exchange (SGX), and updated on our website.

Despite the decline in UMS share price, we continued to engage the investment community by participating in investor days with securities firms. We also actively engaged the investing community via group meetings with local and international analysts and fund managers to keep them abreast of our financial performance and business operations. This will stand us in good stead when the market recovers.

BOARD OF DIRECTORS

Luong Andy
Chairman / Chief Executive Officer

Mr Luong Andy 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.

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 20 years of experience in finance, accounting, treasury and auditing. Before joining the Company, he held several controllership positions in trading and manufacturing organisations.

Mr Loh holds a Bachelor of Accountancy (Hons) from National University of Singapore and a Master of Business Administration from Southern Illinois University (Carbondale). A member of the Institute of Singapore Chartered Accountants (ISCA), he is responsible for the overall financial, accounting, tax, treasury, corporate finance, compliance matters as well as the operations of the Group.

Chay Yiowmin
Lead Independent Director

Mr Chay Yiowmin was appointed as an Independent Director of the company on 28 June 2013.

Mr Chay is currently the chief executive officer of Chay Corporate Advisory Pte. Ltd., a boutique corporate advisory firm. He is also a non-executive director of 8I Holdings Limited. Between 2013 and 2015, Mr Chay was the lead independent and non-executive director of Advance SCT Limited.

Since graduating in 1998, Mr Chay has accumulated many years of public accounting experience in Singapore and the United Kingdom with a number of reputable international accounting firms, including PricewaterhouseCoopers LLP, Deloitte and Touche LLP, Moore Stephens LLP and BDO LLP.

Mr Chay holds a Bachelor of Accountancy and a Master of Business from Nanyang Technological University, and a Master of Business Administration from the University of Birmingham. Mr Chay is also a Fellow Chartered Accountant (FCA Singapore) of the Institute of Singapore Chartered Accountants (ISCA), an Associate Chartered Accountant (ACA) of the Institute of Chartered Accountants in England and Wales (ICAEW), a Chartered Valuer and Appraiser (CVA) of the Institute of Valuers and Appraisers of Singapore (IVAS) and a Certified Finance and Treasury Professional (CFTP) of the Finance and Treasury Association (FTA).

Mr Chay currently sits on the Singapore steering committee of the Professional Risk Managers' International Association (PRMIA), and the Standards and Technical Committee of IVAS. Mr Chay was awarded the Pingat Bakti Masyarakat (Public Service Medal) (PBM) by the President of the Republic of Singapore on 9 August 2016.

Gn Jong Yuh Gwendolyn
Independent Director

Ms Gn Jong Yuh Gwendolyn was appointed as an Independent Director of the Company on 5 May 2016.

Ms Gn has more than 20 years' experience as a Corporate Lawyer, specialising in corporate finance and capital markets in Singapore and the Asian region. Ms Gn is currently an Equity Partner in ShookLin & Bok LLP where she actively advises both Main Board and Catalist listed companies, SMEs, MNCs and financial institutions on areas of fund raising, IPOs/RTOs/dual listings, mergers and acquisitions, corporate structuring and corporate governance. Ms Gn graduated with LLB Hons (Second Upper) from the National University of Singapore in 1994 and was called to the Singapore bar as an Advocate and Solicitor in 1995. Ms Gn is a winner of the International Law Office and Lexology Client Choice Award 2014 in Singapore for Capital Markets and has been recognised as a leading capital markets and corporate finance lawyer in Asialaw Leading Lawyers. She has been named as an expert in Euromoney's Guide to the World's Leading Women in Business Law and World's Leading Capital Markets Lawyers.

Datuk Phang Ah Tong
Independent Director

Datuk Phang Ah Tong was appointed as an Independent Director of the company on 1 October 2017.

Datuk Phang, who was formerly the Deputy Chief Executive of the Malaysian Investment Development Authority (MIDA), has played a key and strategic role in promoting Malaysia's foreign and domestic investments during his 36 years in MIDA.

An economics graduate from the University of Malaya, Datuk Phang has attended senior management programmes at Harvard Business School and INSEAD, the top French management school. He has played an active role in shaping Malaysia's economic landscape through his involvement in national scale master plans. He was also pivotal in developing the manufacturing, non-manufacturing and service sectors in Malaysia and promoting global Foreign Direct Investment into Malaysia.

Mr Phang has also capped his illustrious career with distinguished awards, including several service excellence awards at MIDA as well as the Pingat Darjah Pangkuan Seri Melaka (DPSM) and the Pingat DarjahSultan Ahmad Shah Pahang (DSAP).

MANAGEMENT TEAM

Luong Andy
Chief Executive Officer

Mr Luong Andy, the Founder of UMS Holdings, has been the Group's Chief Executive Officer since January 2005. He currently holds 110,380,550 ordinary shares in the Group.

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

Loh Meng Chong, Stanley
Group Financial Controller / Senior Vice President, Operations

Mr Stanley Loh joined the Company on 5 September 2008 as the Group's Financial Controller. He brings with him over 20 years of experience in finance, accounting, treasury and auditing. Before joining the Company, he held several controllership positions in trading and manufacturing organisations.

Mr Loh holds a Bachelor of Accountancy (Hons) from National University of Singapore and a Master of Business Administration from Southern Illinois University (Carbondale). A member of the Institute of Singapore Chartered Accountants (ISCA), he is responsible for the overall financial, accounting, tax, treasury, corporate finance, compliance matters as well as the operations of the Group.

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. He is also responsible for the Company's USA subsidiary.

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 Manager. Mr Tan brought with him more than 20 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

UMS GROUP

- 100% UMS Systems Pte Ltd (Singapore)
- 100% UMS Aerospace Pte Ltd (Singapore)
- 100% UMS Pte Ltd (Singapore)
  - 100% UMS Solutions Pte Ltd (Singapore)
- 100% Intergrated Manufacturing Technologies Pte Ltd (Singapore)
- 100% UMS International Pte Ltd (Singapore)
  - 100% Ultimate Manufactuing Solutions (M) Sdn. Bhd. (Malaysia)
- 100% Ultimate Machining Solutions (M) Sdn. Bhd. (Malaysia)
  - 10% Allstar Manufactuing Sdn. Bhd. (Malaysia)
- 100% Intergrated Manufacturing Technologies, Inc (United States)
- 51% Kalf Engineering Pte Ltd (Singapore)
  - 100% 浙江凯富环境治理工程有限公司 (China)
- 28% JEP Holdings Ltd (Catalist-listed in Singapore)
- 70% Starke Singapore Pte Ltd (Singapore)
  - 100% Starke Asia Sdn Bhd (Malaysia)

MILESTONES

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

1996
Started UMS in Singapore

2004
Merger with Norelco Centreline Holdings Limited

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

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

2007
August / Ground Breaking of Penang (Malaysia) facility

March / Entered into an exclusive contract with a major oil & gas company

January / UMS obtained AS9100:2004 certification

2008
February / Grand opening of new Changi North Rise facility

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

2010
December / Obtained 10-years pioneer tax-free status under Ultimate Machining Solutions Sdn Bhd

2011
December / Entered into agreement to acquire Integrated Manufacturing Technologies Pte Ltd and Integrated Manufacturing Technologies Inc

2012
February / Completed acquisition of Integrated Manufacturing Technologies Pte Ltd and Integrated Manufacturing Technologies Inc

2015
December / Signed MOU with Malaysian Aerospace Metallic Component Manufacturer to achieve alternative revenue contribution from the aerospace industry

2016
January / Entered into agreement to acquire 10% equity stake and extend convertible loan to Malaysian Aerospace Metallic Component Manufacturer

2017
March / Acquired 51% equity stake in Kalf Engineering Pte Ltd ("Kalf"), a water and chemical engineering solutions company

October / Obtained 10-years pioneer tax-free status under Ultimate Manufacturing Solutions (M) Sdn Bhd

2018
January / Acquired 29.5% equity stake in Catalist-listed JEP Holdings Ltd, an Aerospace component manufacturer

August / Acquired 70% equity stake in Non-Ferrous Metal Alloys Specialist, Starke Singapore Pte Ltd

CORPORATE OFFICES

USA

Integrated Manufacturing Technologies, Inc (California office)

1477 North Milpitas Boulevard
Milpitas, CA 95035

Tel: (65) 6543 2272
Fax: (65) 6542 9979
Email: sales@umsgroup.com.sg
Website: http://www.umsgroup.com.sg

MALAYSIA

Ultimate Machining Solutions (M) Sdn. Bhd.

Ultimate Manufacturing Solutions (M) Sdn. Bhd.

1058, Jalan Kebun Baru, Juru
14100 Simpang Ampat
Seberang Perai Tengah
Pulau Penang, Malaysia

Tel: (604) 507 3000
Fax: (604) 502 3000
Email: sales@umsgroup.com.sg
Website: http://www.umsgroup.com.sg

Starke Asia Sdn. Bhd.

No.6, Lorong IKS Juru 11
Taman Perindustrian Ringan Juru
14100 Simpang Ampat
Pulau Pinang, Malaysia

Tel: (604) 502 0933
Fax: (604) 502 5601
Email: sales@starke.com.my
Website: http://starke.com.sg

SINGAPORE

UMS Pte Ltd

UMS Aerospace Pte Ltd

UMS Systems Pte Ltd

UMS Solutions Pte Ltd

UMS International Pte Ltd

Integrated Manufacturing Technologies Pte Ltd

23 Changi North Crescent
Changi North Industrial Estate
Singapore 499616

Tel: (65) 6543 2272
Fax: (65) 6542 9979
Email: sales@umsgroup.com.sg
Website: http://www.umsgroup.com.sg

Kalf Engineering Pte Ltd

23 Changi North Crescent
Changi North Industrial Estate
Singapore 499616

Tel: (65) 6449 1677
Fax: (65) 6778 1160
Email: sales@kalf.sg
Website: http://www.kalf.sg

Starke Singapore Pte Ltd

34 Gul Lane
Singapore 629428

Tel: (65) 6863 1630
Fax: (65) 6863 1620
Email: sales@starke.com.sg
Website: http://www.starke.com.sg

COPRORATE INFORMATION

Board of Directors

Luong Andy
Chairman / Chief Executive Officer

Chay Yiowmin
Lead Independent Director

Gn Jong Yuh Gwendolyn
Independent Director

Datuk Phang Ah Tong
Independent Director

Loh Meng Chong, Stanley
Executive Director /
Group Financial Controller /
Senior Vice President, Operations

Audit Committee

Chay Yiowmin (Chairman)
Gn Jong Yuh Gwendolyn
Datuk Phang Ah Tong

Nominating Committee

Datuk Phang Ah Tong (Chairman)
Luong Andy
Chay Yiowmin
Gn Jong Yuh Gwendolyn

Remuneration Committee

Gn Jong Yuh Gwendolyn (Chairman)
Chay Yiowmin
Datuk Phang Ah Tong

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
Public Accountants and Chartered Accountants
10 Anson Road #29-15 International Plaza
Singapore 079903
Audit Partner-in-charge: Neo Keng Jin
(appointed with effect from financial year ended
31 December 2018)

Share Registrar

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

Principal Bankers

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

Company Secretaries

Seah Hai Yang
Teo Chia Hui

SUSTAINABILITY REPORT

Board Statement

The UMS Board sets the Group's risk appetite, which determines the nature and extent of material risks that the Group is willing to take to achieve its strategic and business objectives. The risk appetite incorporates ESG factors such as Fraud, Corruption and Bribery, Environment, Health and Safety.

Today the world faces many challenges such as climate change, scarcity of natural resources, human health and safety. At UMS, we view Sustainability in terms of a shared responsibility towards improving not only our business but also our planet and our lives.

As a company we do not exist in a vacuum. We are part of the economic, environmental and social ecosystem. We will therefore work closely with all our stakeholders to enhance and integrate sustainability into our business models.

Every day, we shall strive with passion to make a lasting, positive difference in people's lives and embed this value into our corporate culture.

This report is a stamp of our commitment towards making a difference to our planet and our lives. This is our Journey towards the UMS Sustainability Vision.

Executive Chairman and CEO
Andy Luong
On behalf of UMS Board of Directors

Sustainability Report

Introduction

The Singapore Stock Exchange ("SGX-ST") now requires listed companies to publish an annual sustainability report for any financial year ending on or after 31 December 2017, which must describe the issuer's sustainability practices with reference to the primary components set out in Listing Rule 711B on a 'comply or explain' basis.

The Group's sustainability report (the "Sustainability Report") demonstrates the Group's consideration of sustainability issues as part of its strategic formulation and business strategies and has specifically considered Environmental, Social and Governance ("ESG") factors. This report has been prepared with reference to the Global Reporting Initiative ("GRI") Standards: Core Option. Through this Global Sustainability Report, the Group hopes to share its sustainability commitment with its various stakeholders, including employees, investors, customers, business partners, suppliers and contractors, the community and government and national agencies.

The scope of this report focus on the Group's major operations, namely in Singapore and Malaysia as these have the largest impact on economic, environmental, social and governance indicators.

ORGANISATIONAL PROFILE

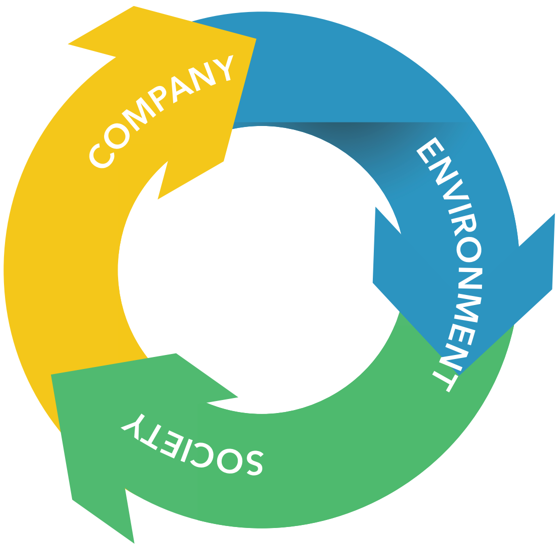
UMS SUSTAINABILITY VISION

For UMS, our Sustainability Vision is to align our economic success with environmental and social responsibility. We recognise that the environmental and social interaction with our community affect our long term organizational success and thus the need to manage not only corporate and financial performance but also the environmental and social impact of our business.

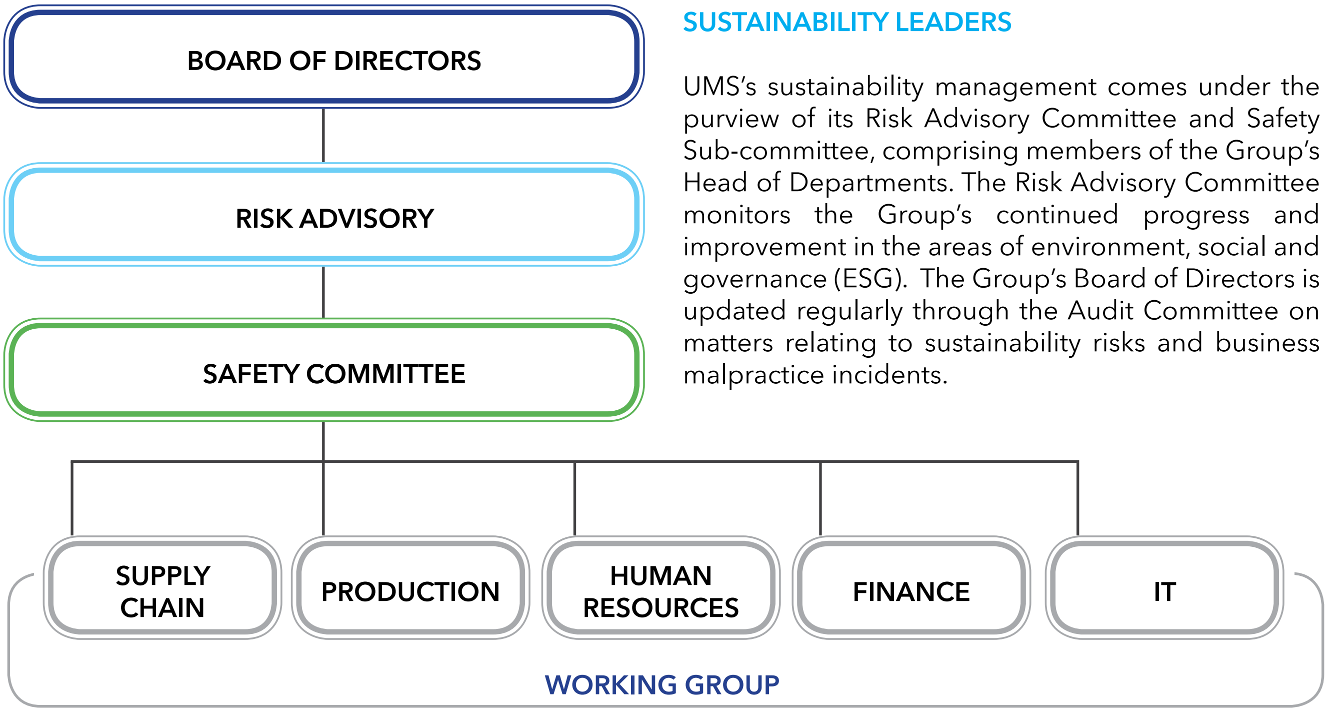
Guided by our Sustainability Vision, our objectives are to :

- achieve high standards of health and safety throughout our value chain,
- protect our environment,
- be a preferred employer by providing a working environment where people can feel a sense of belonging,
- adopt best business practices and comply with all rules and regulations,
- manage our risk to safeguard our economic sustainability, and
- be a responsible member of society.

In 2018, the Group maintained sound sustainability practices to enhance and enrich the communities where we have a presence, and ensure a safe, thriving workplace for employees. UMS's basic principles have been to improve energy efficiency; minimize pollution wherever possible; and conserve resources. The Group demonstrates these principles through the way we conduct our daily business. Our dedication to sustainability is reinforced through our ongoing cooperation and support of our key customer's efforts as member of the Responsible Business Alliance (previously known as Electronic Industry Citizenship Coalition (EICC)).



Sustainability Report



SUSTAINABILITY LEADERS

UMS's sustainability management comes under the purview of its Risk Advisory Committee and Safety Sub-committee, comprising members of the Group's Head of Departments. The Risk Advisory Committee monitors the Group's continued progress and improvement in the areas of environment, social and governance (ESG). The Group's Board of Directors is updated regularly through the Audit Committee on matters relating to sustainability risks and business malpractice incidents.

MEMBER OF INDUSTRY ASSOCIATIONS

We are a member of Singapore Business Federation.

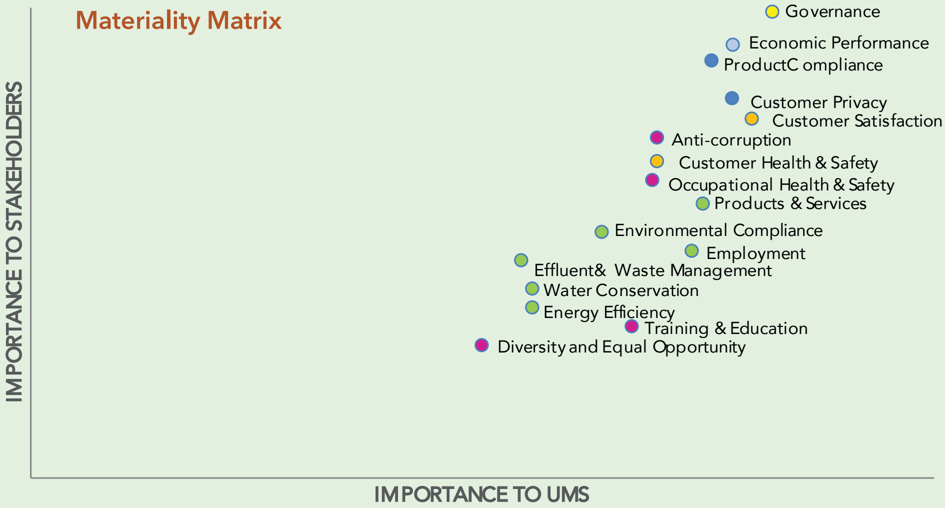
MATERIALITY AND STAKEHOLDER ENGAGEMENT

The materiality principle is applied to define the content for the sustainability section of this Annual Report (referred to as the Sustainability Report). Inputs were drawn from work performed in Risk Advisory Committee. This process aligns with the requirements of GRI Standard 102-46 on defining content and boundaries. In line with GRI Standard 101 clause 1.3, the 2018 Sustainability Report covers topics that reflect the Group's significant economic, environmental, social and governance impacts, or other factors that substantively influence the assessments and decisions of stakeholders.

As part of the Group's materiality process, the Group reviewed comments and feedback from stakeholders on sustainability impacts. During these discussions, the Group reviewed its vision, mission and core values, strategic direction, sustainability impacts and material topics.

As a result, various material topics were assessed and grouped into three categories. Feedback from interviews with management, employees and customers contributed to the materiality review process. The Group also took into consideration other external feedback, including inputs from the investment community. The materiality assessment process is guided by the Global Reporting Initiative framework and GRI's Sustainability Reporting Standards. With reference to the requirements of GRI Standard 102-47, the resulting list of topics in the following section was ratified by the Audit Committee.

Sustainability Report



Material Issues

CORPORATE GOVERNANCE

Good corporate governance and sound risk management processes is vital to safeguarding the long-term interests of shareholders and the Group's assets. Upholding UMS's reputation as a well-governed and socially responsible company continually enables the Group to gain the trust and confidence of its customers, investors, partners and other stakeholders. The Group respects human rights and operates with professionalism, fairness and integrity in compliance with legal regulations. Committed to ethical business conduct, the Group does not tolerate bribery and corruption in its dealings and operations.

Approach:

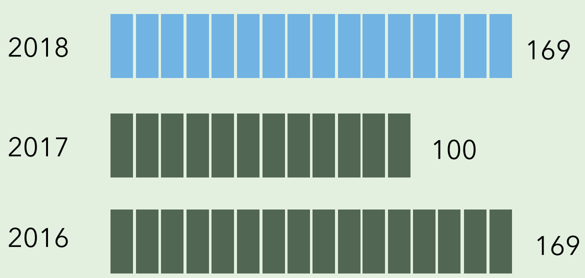
UMS has comprehensive corporate governance procedures and systems in place to promote business integrity in line with its core values and Code of Business Conduct. This corporate governance framework covers the Group's Singapore and global operations and includes fraud risk management, anti-bribery and anti-corruption. The Board-level Committees monitor the Group's effectiveness through stringent internal and external audits, reviews and evaluations to ensure integrity and compliance with evolving standards and requirements. UMS's corporate governance reporting and practices comply with the Code of Corporate Governance. Sound decision-making processes are also in place across the organisation to ensure that decisions follow defined guidelines that take into account the hierarchy of considerations, risk management and potential impacts.

Material Impact:

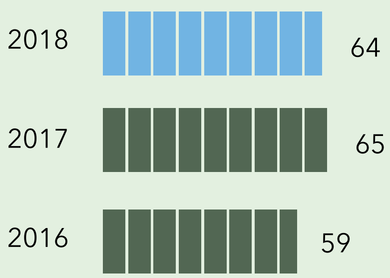
Customers, Employees, Financial Community, Regulators

Performance Highlights

GTI Rank



GTI Score



Sustainability Report

ECONOMIC PERFORMANCE

Growing a strong customer base, creating customer loyalty and building trust are vital to UMS's profitability and growth. It is crucial to have a keen understanding of customer requirements and market environment to develop products and solutions that fulfill the needs and requirements of customers. Sustainability impacts are taken into account during the conceptualisation and development of the Group's products and solutions.

Approach:

Regular engagement via multiple platforms at different levels of operations and management enables UMS to build a varied approach to engaging customers. UMS measures customer satisfaction through annual survey and seeks continuous improvement so as to deliver total customer satisfaction. Structured systems, such the ISO 9001-certified processes and audit systems, are employed to ensure effective collaboration, timely response to feedback, as well as high standards of quality, safety, environment and operational performance. These processes undergo regular reviews and improvements are made continuously.

UMS also strive to preserve shareholders' value by building resilience throughout its business operations and enhance shareholders' value through a robust strategy with a focus on delivering long term sustainable growth.

Material Impact:

Customers, Employees, Business Partners, Financial Community

ENVIRONMENTAL SUSTAINABILITY

To address global issues of resource scarcity and a changing climate, UMS recognises the importance of integrating environmental considerations into the Group's business decisions. Managing the environmental impact of its operations enables the Group to do its part to secure a sustainable future and create value for stakeholders. This also brings about commercial benefits, better risk management and enhanced competitiveness for the organisation.

Approach:

UMS's Environmental Policy identifies the key aspects of the Group's environmental management systems. The Group uses a precautionary approach oversee by its Safety Committee to identify, assess and address environment-related aspects and impacts.

The assessment includes waste and recycling, air quality, and resource consumption. Regular audits for compliance with local regulations and international standards are undertaken as part of ISO 9001 requirements. Reviewed annually, UMS's environmental policy and practices encompass all employees, contractors and customers.

Material Impact:

Customers, Employees, Business Partners, Community, Regulators

UMS Performance Highlights

	2016	2017	2018
Net Profit After Tax (S$' mil)	22.6	52.0	43.1
Shareholders Equity (S$' mil)	189.5	213.8	230.5
Dividend[(1)]/Share (cents)	6.0	6.0	5.5
Dividend Yield[(2)] (%)	12.3%	4.9%	9.6%
Share Price Change (%)	19.6%	110.7%	-44.1%
Total Shareholders Return (%)	34.4%	123.1%	-38.7%

Notes:

(1) "Dividend" relates to the actual dividends received during the financial year.

(2) "Dividend Yield" represents Dividend per share divided by the closing Share price on the last trading day of the financial year.

Sustainability Report

SOCIAL HUMAN CAPITAL

Human capital is a key lever for the Group's growth and success. The management approach focuses on enhancing workforce competencies and capabilities, talent management and leadership development as well as employee engagement and well-being. Preparing the next generation of leaders as part of succession planning is important to UMS's growth and long-term competitiveness.

Approach:

UMS complies with the labour laws in its various countries of operation, including fair employment guidelines in accordance with the Ministry of Manpower Employment Act of Singapore, which is a member country of the International Labour Organization. Aligned with the principles advocated by the national Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP), the Group respects employees' right to freedom of association and embraces fair employment, diversity and inclusivity at the workplace.

UMS's human capital strategy covers workforce development and retention; competencies building and skills enhancement; organisational development; as well as cultivation of a strong company culture and identity. The Group seeks to offer a compelling employment experience, competitive compensation and benefits, opportunities for personal and professional development, as well as an enriching environment that promotes merit-based progression.

Material Impact:

Customers, Employees, Business Partners, Community, Regulators

TOTAL WORKPLACE SAFETY AND HEALTH

UMS is fully committed to creating and maintaining a culture where safety is at the forefront of all operations. The Group actively mitigates health and safety risks in the workplace. Measures are in place to ensure that employees, contractors, suppliers and other stakeholders uphold high standards of occupational safety and health.

Approach:

A Health, Safety, Security, Environment and Quality Policy governs UMS's approach to total workplace safety and health. It ensures that the Group complies with national legislation (e.g. Singapore's Workplace Safety and Health Act), international regulations and recognised standards (e.g. OHSAS 18001). The Group's workplace safety and health (WSH) strategy comprises four pillars: enhancing HSE competencies and capabilities; building up commitment and leadership towards a better WSH culture; garnering support from stakeholders; and continuously improving risk and safety management systems. The Group's WSH strategy is integrated into all levels of operations and overseen by the Safety Committee. Regular reviews are conducted to evaluate the Group's WSH strategy and performance.

Material Impact:

Customers, Employees, Business Partners, Community, Regulators

STAKEHOLDERS ENGAGEMENT

Through regular stakeholder engagement, the Group identifies and reviews material issues that are most relevant and significant to the Group and its stakeholders. For UMS, priorities are ranked based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, priority is given to issues important to society and applicable to UMS. The Group therefore prioritises its sustainability efforts and reporting on issues that are most material to its business and stakeholders.

Sustainability Report

ASPECT BOUNDARIES

Within the organisation:
All entities and employees within the Group unless otherwise stated.

Outside the organisation:
Suppliers, customers, investors/shareholders, regulators and community.

REPORT PROFILE

This report summarises our approach and practices towards Sustainability and represents our belief that Sustainability is an important aspect of our business.

REPORTING PERIOD

1 January – 31 December 2018

DATE OF MOST RECENT REPORT

31 December 2017

REPORTING CYCLE

Annual based on UMS's financial year.

METHODOLOGY

We have prepared it with reference to GRI-Standards (2016).

We have not sought external assurance for this report.

FEEDBACK

We welcome feedback from all stakeholders. Please send questions, comments, suggestions or feedback relating to this report to ir@umsgroup.com.sg.

UMS RECOGNISES THE IMPACT IT HAS ON THE COMMUNITY, ENVIRONMENT AND RESOURCES. THE GROUP AIMS TO INTEGRATE ENVIRONMENTAL RISKS AND OPPORTUNITIES INTO STRATEGIC AND BUSINESS DECISIONS TO MITIGATE ITS OPERATIONAL FOOTPRINT IN THE ENVIRONMENT AND IN LOCAL COMMUNITIES.

Group operations are guided by UMS's Environmental Policy, which encompasses management leadership and accountability, communication, legislative and regulatory documentation, risk management, management of change, and performance review. The Safety Committee manages the environmental impact. Departments responsible for the application and implementation of the environmental management include HSE, security, procurement, operations and production.

UMS facilities comply with local regulations such as the national Environmental Protection and Management Act (EPMA); Environmental Public Health Act (EPHA); Hazardous Waste (Control of Export, Import and Transit) Act. All UMS facilities undertake regular external and internal audits as part of their commitment to ISO 9001 Quality Management Systems.

The Group continues to review and upgrade its infrastructure and facilities as part of its ongoing operational excellence pursuit. This will result in more efficient operations and deployment of resources.

Sustainability Report

Energy Consumption

UMS's main contribution to reducing our environmental impact involves suppressing the amount of materials and energy used in the process of manufacturing, while also reducing, as much as possible, the emission of environmentally harmful substances.

For the manufacturing process, we established a target of 0.13 energy intensity to achieve energy conservation by optimizing our manufacturing processes.

First and foremost, UMS has a culture of building our own production facilities and manufacturing processes, and the idea that the people involved in development, manufacturing technology and even production should devise, operate and improve their own production facilities, on their own, is deeply rooted. In every office, in every manufacturing process, efforts to reduce energy consumption are being practiced and are producing results. That has also culminated in a number of other achievements, such as cost reduction and improved facilities and work environments.

Water Management

Water is a fundamental resource in people's lives; it is similarly essential to plant manufacturing. Water risks are therefore causing concern worldwide, as water shortages and water pollution become more serious due to such factors as climate change and a rising global population.

At UMS, we take great care to use water resources efficiently. To reduce water consumption, we have taken steps to control water flow in our special process lines. Moreover, we have switched from using PUB water to NEWater in our Singapore facility.

Waste Management

UMS is committed to managing and reducing its waste and discharge responsibly. A Group-wide system governs the management of hazardous waste, non-hazardous waste as well as materials sent for recycling.

All collection, treatment, disposal as well as recycling of wastes in Singapore are strictly governed by the EPMA, EPHA and national toxic industrial waste regulations. In addition, the country accedes to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their disposal. Hazardous waste handled by the Group consists largely of chemicals and oily water removed from production processes. UMS work only with government-licensed waste collection vendors to ensure that disposal processes are in compliance with government regulation.

Recycling is an important aspect of UMS's waste management practices. All retrieved metal chips and scraps as well as packaging material are sent for recycling, wherever possible.

Environmental Impact of transporting goods

Most of our delivery trucks are in compliance with the EURO V standard which helps to reduce the emission of CO2 and other gases.

In addition, we work with customers to optimize the delivery schedule, taking advantage of consolidation opportunities whenever possible in order to achieve fuel and CO2 emissions reduction.

Compliance

In 2018, UMS did not incur any significant fines for noncompliance with environmental laws and regulations.

Measuring Our Energy Efficiency Performance

Performance in 2018
Energy Intensity (KWH/Revenue)
– 0.1859

Target
Energy Intensity (KWH/Revenue)
<= 0.1300

Energy intensity performance decline 43% as a result of lower revenue recorded in FY2018 and the comparatively more stable energy consumption.

Measuring Our Water Management Performance

Performance in 2018
Water Intensity (m^3/Revenue)
– 0.0016

Target
Water Intensity (m^3/Revenue)
<= 0.0012

Water intensity performance decline 33% as a result of lower revenue recorded in FY2018 and the comparatively more stable water consumption.

Sustainability Report

UMS CONTINUES TO NURTURE AND EMPOWER PEOPLE TO DRIVE ITS GROWTH AND SUCCESS. BY HARNESSING TALENT AND BUILDING COMPETENCIES, THE GROUP FOCUSES ON DEVELOPING A COMPETITIVE AND FUTURE-READY WORKFORCE THAT WILL PROPEL THE COMPANY TOWARDS ITS MISSION AND VISION.

HUMAN CAPITAL STRATEGY

UMS's human resource (HR) strategy is driven by the Group's mission, vision and growth objectives. Core to the strategy is attracting, developing and growing a competitive workforce and a strong talent pool for sustainable growth. By creating a compelling employment experience and an enriching environment, the Group empowers employees to unleash their full potential and achieve peak performance.

The Group conducts regular reviews to continuously enhance its HR management systems, standards and protocols at various levels to ensure alignment with best practices among its peers and within the industry.

The Group employs 534 employee as at the end of 2018 in its Singapore and Malaysia operations.

PROVIDING FAIR EMPLOYMENT AND EQUAL OPPORTUNITIES

UMS adopts employment practices that are aligned with internationally recognised human and labour rights standards.

Guided by the principles set out by Singapore's Tripartite Alliance for Fair and Progressive Employment Practices, the Group is an equal opportunity employer that embraces employee diversity and promotes an inclusive work culture.

Discrimination by ethnicity, gender, religious beliefs, nationality, age or physical disability is not tolerated. The Group is also against unethical practices such as child labour, slavery, forced labour and human trafficking. At UMS, there are non-discriminatory and merit-based processes for recruiting, training and development, compensation and evaluation. In 2018, the company did not receive any reports of discrimination or exploitative labour practices.

The Group communicates these values to employees, associates and partners via its Code of Business Conduct, which is published on workshop noticeboards. Workshops on business ethics, anti-bribery compliance and enterprise risk management are also held to educate employees and stakeholders on good corporate governance.

UMS propagates a localisation strategy for its overseas operations. This ensures that the teams on the ground have a good grasp of local socio-political and cultural sensitivities to help deliver targeted business outcomes for the Group. In 2018, locals accounted for about 44% of the employees based in Malaysia and 86% of managerial and senior management positions are held by locals.

The company's female employees are well represented at the middle and senior management level. For the past three years, about 26% of the managerial employees are female and we have 1 female director at the Group level.

NURTURING LEADERS

UMS has a talent management and succession planning framework in place to identify and nurture future leaders and successors for business continuity. The Board has oversight on leadership renewal and management development processes within the Group, including approval of senior management appointments, review of succession plans and grooming of talent for key executive roles. As part of the talent development process, a structured performance management framework is used to trace the progress and contributions of promising staff. By identifying these future leaders and monitoring their growth, plans can be mapped out for their career advancement, competencies training and leadership development.

EMPLOYEE RECOGNITION AND RETENTION

Outstanding employees that have contributed to UMS's success are recognised and rewarded for their achievements and contributions. Career progression is based on merit and equal opportunities are provided to staff to excel and grow with the company. To objectively measure employees' performance, all employees in the workforce undergo annual appraisals to assess their suitability for career advancement or salary increments.

Employees are entitled to annual leave, parental leave, group insurance coverage and company transportation benefits.

Building Team Spirit

To foster team spirit and a sense of identity among employees within the Group, team building activities, recreational games are organised at various levels. Department lunch gatherings are held annually to strengthen connections and camaraderie among colleagues.

Sustainability Report

SAFEGUARDING THE WORKPLACE SAFETY AND HEALTH OF EMPLOYEES AND STAKEHOLDERS IS A UMS CORE VALUE. THE COMPANY EMBRACES A ZERO-INCIDENT TARGET WHICH GUIDES ITS POLICIES, OPERATIONS, SYSTEMS, ACTIONS AND CULTURE.

The Group is committed to providing a working environment that minimises the risk of health, safety and environmental (HSE) hazards.

UMS's Health and Safety Policy encompasses all employees, contractors, suppliers, stakeholders and visitors at UMS facilities.

The company's safety and health management system employs a structured framework to develop and implement policies that are aligned with international standards, such as the International Labour Organization.

Designed to engage all internal and external personnel operating in UMS facilities, the system manages WSH risks, monitors performance and positively modifies user behaviour and attitudes.

The Company's Safety Committee convene periodically to oversee and review HSE policies and performance. The Group also works closely with industry experts to deliver safety and health outcomes according to international best practices. The Safety committee is responsible for implementing company policies, practices, and performance management on a range of WSH areas. These areas include promotion of WSH awareness and best practices, training and educating personnel on risk assessment and management, management of WSH related grievances, use of personal protective equipment as well as the right to halt or refuse unsafe work.

Risk Management of OHS Hazards

Identifying OHS hazards and assessing their risks are a key component in UMS's OHS Management System. UMS strives to eliminate or minimise such hazards and risks though various measures.

Hazards Identification and Risk Assessments (HIRA) are reviewed annually or when appropriate, for example, following a change in processes.

OHS hazards are identified for the administration, development and operational functions of UMS's businesses and their risks are assessed. Examples of hazards include ergonomics, falling from height, falling objects and working in an enclosed space. The HODs have put in place various SOPs to minimise the occurrence of such hazards.

Training and Awareness

To facilitate the effective implementation of its OHS Management System, training and awareness programmes are planned for all staff. In addition, every employee was briefed on how to respond to OHS incidents at the workplace.

Measuring Our WSH Performance

Performance in 2018
No of Work Injury – Nil

Target
No of Work Injury – Nil

In 2018, there were no work-related fatalities or permanent disabilities. There were also no work-related injuries. If there are any such cases, detailed investigations would be conducted and all necessary follow-up action undertaken. UMS will continue to monitor the performance, reinforce safety standards and fine-tune its SOPs for improvement.

CONTINUOUS IMPROVEMENT

UMS recognises the need to manage the execution of safety and risk management standards by all parties operating in its premises. The company continues to engage these parties regularly to enhance supervisory capabilities, execute systematic inspections of operations, identify hot spots and implement training to ensure all personnel are equipped for compliance with the Group's health, safety and environmental standards.

CORPORATE GOVERNANCE REPORT

The Board and Management of UMS Holdings Limited (the "Company") is committed to maintaining high standards of corporate governance and practices that are essential to protect the interest of shareholders. Excellence in corporate governance will not only enhance and safeguard the interest of all our shareholders; 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 (the "Code"). The Board is pleased to confirm that for the financial year ended 31 December 2018, the Company has generally adhered to the principles and guidelines of the Code and any deviations will be specified in this report.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to annual reports covering financial years from 1 January 2019. The Company will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

The Board's Conduct of its Affairs – Principle 1

The Board comprises five Directors at the end of the year 2018, of which three, 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's 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 the Board's approval. Matters that specifically require the Board's approval are those involving:

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

All directors recognize that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

CORPORATE GOVERNANCE REPORT

To ensure smooth and effective running of the Group and to facilitate decision-making, the Board has established various committees to assist 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 are also circulated for approval by the members of the Board.

During the current financial year, the Board met five times. The Company's Constitution provides 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 2018 are disclosed below:

Name of Director	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No Held	No Attended	No Held	No Attended	No Held	No Attended	No Held	No Attended
Mr Luong Andy+^	5	5	N.A	N.A	1	1	N.A	N.A
Mr Loh Meng Chong Stanley+	5	5	N.A	N.A	N.A	N.A	N.A	N.A
Mr Chay Yiowmin#*	5	5	4	4	1	1	1	1
Ms Gn Jong Yuh Gwendolyn#*	5	5	4	4	1	1	1	1
Datuk Phang Ah Tong#*	5	5	4	4	1	1	1	1

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

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. Whenever a new Director is appointed on the Board, the Company ensures that the person receives appropriate training, briefing and orientation to enable him/her to discharge his/her duties effectively. There are update sessions to inform the Directors on new legislations and/or regulations which are relevant to the Group. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on the Company's or Directors' disclosure obligations, Directors are briefed at Board meetings.

All the Directors are informed and encouraged to attend seminars, courses and other programmes, from time to time, in order to discharge their duties as directors. All the costs are borne by the Company.

All Directors are appointed to the Board by way of a formal letter of appointment or service agreement setting out the scope of their duties and obligations.

CORPORATE GOVERNANCE REPORT

Board Composition and Balance – Principle 2

As at 31 December 2018, the Board comprises five directors. The Chief Executive Officer ('CEO"), who is also the Executive Chairman, is one of two Executive Directors whilst the remaining three Directors, are Non-Executive and Independent Directors of the Company. There is a strong independent element on the Board, with Independent Directors constituting more than half of the Board. They constructively challenge and assist in the development of proposals on strategy and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

The independence of each Director is reviewed by the NC on an annual basis. Annually, each Independent Director is required to confirm his/ her independence.

The NC and the Board has set in place a process to determine annually whether a Director who has served on the Board beyond nine years from the date of his first appointment, is independent, taking into account the need for progressive refreshing of the Board. Currently, no Independent Directors has served on the Board for more than nine years.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

The Board reviews its composition from time to time and seeks to maintain a diversity of expertise, skills and attributes among the Directors. The Board comprises businessmen with vast business or management experience, industry knowledge, strategic planning experience and includes professionals with financial, accounting and legal backgrounds. Profiles of the Directors are found in the "Board of Directors" section of the Annual Report. The NC is satisfied that the current Board comprises persons who, as a group, provide core competencies, such as accounting or finance, business or management experience, industry knowledge and strategic planning experience, required for the Board to be effective.

Where necessary the independent directors may meet without the presence of the management of the Company.

Chairman and Chief Executive Officer – Principle 3

Mr Luong Andy ("Mr Luong") is currently the Executive Chairman of the Board and also the Chief Executive Officer of the Group. The Board is of the view that accountability and independence have not been compromised despite the Chairman and Chief Executive Officer being the same person. The Chairman and Chief Executive Officer have defined responsibilities which, during his tenure so far, have not conflicted with each other. Major business proposals are discussed at Board meetings before decisions are made. The Board believes there is sufficient element of independence and adequate safeguards against a concentration of power in one single person. As the Chairman, Mr Luong'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; and
- Promote high standards of corporate governance.

The Board has appointed Mr Chay Yiow Min as the Lead Independent Director and is of the view that there is sufficiently strong independent element on the Board to enable the independent exercise of objective judgement on corporate affairs of the Group by members of the Board, taking into account factors such as the number of independent directors on the Board, as well as the size and scope of the affairs and operations of the Group.

CORPORATE GOVERNANCE REPORT

The Lead Independent Director is available to shareholders via y.chay@umsgroup.com.sg where they have concerns which contact through the normal channels of the Chairman and Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is not appropriate.

Board Membership – Principle 4

Guideline 4.1 – Composition of Nominating Committee

The appointment of new directors to the Board is recommended by the NC. The NC comprises three Non-Executive Directors and one Executive Director, namely Datuk Phang Ah Tong, Mr Chay Yiowmin, Ms Gn Jong Yuh Gwendolyn and Mr Luong Andy.

Name	Role in NC	Role In Board
Datuk Phang Ah Tong	Chairman	Independent and Non-Executive Director
Mr Luong Andy	Member	Executive Chairman and Chief Executive Officer
Mr Chay Yiowmin	Member	Independent and Non-Executive Director
Ms Gn Jong Yuh Gwendolyn	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 key terms of reference 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 independent directors make up at least half of the Board;
- 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; and
- Determine how the Board's performance may be evaluated and propose objective performance criteria to assess the effectiveness of the Board as a whole.

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The Board has determined that a Director may hold up to 8 listed company board representations and principal commitments.

Currently, the Company does not have alternate directors.

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; and
- 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 the position or office taking into account the candidate's track record, age, experience, capabilities, and other relevant factors.

CORPORATE GOVERNANCE REPORT

Under the Constitution of the Company, the 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. Each member of the NC is also required to abstain from voting on resolutions, making recommendations and/or participating in matters in which he/she is interested.

The NC has reviewed and recommend the re-election of Mr Luong Andy and Ms Gn Jong Yuh Gwendolyn who are retiring at the forthcoming annual general meeting to be held on 25 April 2019 ("forthcoming AGM"). The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election at the forthcoming AGM.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, directors seeking re-election at a general meeting have to provide the information as set out in Appendix 7.4.1 of the Listing Manual. The required information on the two directors seeking re-election at the forthcoming AGM are appended herein:

Name of Director	Luong Andy	Gn Jong Yuh Gwendolyn
Date of appointment	1 April 2004	5 May 2016
Date of last re-appointment (if applicable)	Not applicable as the Chief Executive Officer of the Company is not subject to retirement by rotation in accordance to the Company's Constitution	28 April 2017
Age	58	48
Country of principal residence	Singapore	Singapore
The Board's comments on the NC's recommendation for re-election	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Luong's performance as an Executive Chairman and Chief Executive Officer of the Company	The Board has accepted the NC's recommendation, who has reviewed and considered Ms Gn's performance as an Independent Director of the Company
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for the overall management and operations of the Group, setting and executing the strategic directions and expansion plans for the growth and development of the Group, including sourcing for investment opportunities to promote the growth of the Group's business.	Non-Executive
Job title	Executive Chairman and Chief Executive Officer, Member of Nominating Committee	Independent Director, Chairman of Remuneration Committee and member of Audit and Nominating Committees
Working experience and occupation(s) during the past 10 years	President and Founder of UMS Group since 2005	Partner of Shooklin & Bok LLP since 2006

CORPORATE GOVERNANCE REPORT

Name of Director	Luong Andy	Gn Jong Yuh Gwendolyn
Shareholding interest in the listed issuer and its subsidiaries	Mr Andy Luong holds 3,056,800 shares of the Company under his name and is deemed to be interested in 107,323,750 shares registered in the name of UOB Kay Hian Private Limited.	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720(1))	Yes	Yes
Other Principal Commitments Including Directorships	**Other Principal Commitment:** • Executive Chairman and Chief Executive Officer of JEP Holdings Ltd **Present Directorship:** • UMS Aerospace Pte. Ltd. • UMS International Pte. Ltd. • UMS Pte. Ltd. • UMS Solutions Pte. Ltd. • UMS Systems Pte. Ltd. • Kalf Engineeting Pte. Ltd. • Ultimate Machining Solutions (M) Sdn Bhd. • Ultimate Manufacturing Solutions (M) Sdn Bhd. • Starke Singapore Pte Ltd. • Starke Asia Sdn. Bhd. • Integrated Manufacturing Technologies Pte. Ltd.	**Other Principal Commitment:** Nil **Present Directorship:** Libra Group Limited **Past Directorship (for the past 5 years):** Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Luong Andy	Gn Jong Yuh Gwendolyn
Other Principal Commitments Including Directorships (cont'd)	• Integrated Manufacturing Technologies Inc. • JEP Holdings Ltd • JEP Precision Engineering Pte Ltd • Dolphin Engineering Pte Ltd • JEP Industrades Pte Ltd • Universal Alloy Corporation Asia Pte. Ltd. **Past Directorship (for the past 5 years):** Nil	
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	He has been a director of the Company since 2005.	She has been a director of the Company since 2016.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a listed issuer as prescribed by the Exchange.	N,A.	N.A.
Please provide details of relevant experience and the NC's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

Both Directors had responded negative to items (a) to (k) listed in Appendix 7.4.1 of the Listing Manual.

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

We believe that the Board's performance is ultimately reflected in the performance of the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led and managed.

CORPORATE GOVERNANCE REPORT

Based on the recommendations of the NC, the Board has established 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 also 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 NC annually and informally on a continual basis.

The NC is responsible for the following functions:-

- To make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors;
- To review and determine the independence of each director;
- To make recommendations 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; and
- Reviewing director training programs.

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 Chief Financial Officer. 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 Secretaries. The Company Secretaries assists the Chairman in ensuring that all board procedures are followed and that the Company's Constitution and applicable rules and regulations, including requirements of the Singapore Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST") are complied with. The Company Secretaries or his/her representatives also administer, attend and prepare the minutes of all Board and Board Committee meetings and assist the Chairman in implementing and strengthening corporate governance practices and processes. The Company Secretaries are also the primary channel of communication between the Company and SGX-ST.

The Company Secretaries or his/her representatives attends all Board and Board Committee meetings and the minutes of such meetings are promptly circulated to all Board members.

The appointment and the removal of the Company Secretary(ies) 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.

CORPORATE GOVERNANCE REPORT

Procedures for Developing Remuneration Policies – Principle 7

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

The RC comprises the following Directors -:

Name	Role in RC	Role In Board
Ms Gn Jong Yuh Gwendolyn	Chairman	Independent and Non-Executive Director
Mr Chay Yiowmin	Member	Independent and Non-Executive Director
Datuk Phang Ah Tong	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 key executives (including but not limited to director's fees, salaries, allowances, bonuses, variable incentives, options and benefits in kind). 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 in accordance with predetermined key performance indicators ("KPIs") 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 based on predetermined KPIs. These KPIs 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 based on advice and recommendations by experts inside and/or outside the company;
- Reviewing and recommending to the Board the terms of renewal for those executive directors whose current employment contracts have expired, including reassessing KPIs;
- Ensuring adequate disclosure in the directors' remuneration as required by regulatory bodies such as SGX-ST;
- Overseeing the payment of fees to non-executive directors;
- Reviewing and recommending to the Board the terms of renewal for material service contracts which are due to expire or have expired based on predetermined KPIs; and
- Reviewing the fairness and reasonableness of the termination clauses of the service agreements of the Executive Directors.

CORPORATE GOVERNANCE REPORT

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.

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

Currently, the Company does not have any long-term incentive schemes.

Disclosure on Remuneration – Principle 9

Executive Directors:

Executive directors receive their remuneration in two key components, that is, fixed monthly salary and variable bonus and incentives. The fixed monthly salary includes car allowance and central provident fund contribution. The variable bonus and incentives depends largely on the performance of the Group. In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company, the Group will be able to reclaim incentive components of remuneration from the executive director.

Non-Executive Directors:

Non-Executive Directors are paid a director's fee on a quarterly basis in arrears. 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 Meeting.

The Company believes that, given the sensitive nature of remuneration, full disclosure of breakdown of remuneration of each individual director as well as the key management personnel is not advantageous to the Company.

CORPORATE GOVERNANCE REPORT

Guideline 9.1 Remuneration Details of the Directors

The actual remuneration of Directors for the year ended 31 December 2018 received during the financial year is set out below:

Name of Director	Salary	Variable Bonus and Incentives	Allowances	Central Provident Fund Contribution	Directors Fees	Total
	S$	S$	S$	S$	S$	S$
Non- Executive Directors						
Below S$250,000						
Mr Chay Yiowmin	–	–	–	–	90,000	90,000
Ms Gn Jong Yuh Gwendolyn	–	–	–	–	80,000	80,000
Datuk Phang Ah Tong	–	–	–	–	65,000	65,000
Executive Directors						
S$3,750,000 to S$3,999,999						
Mr. Luong Andy	569,769	3,172,987	217,640	13,260	–	3,973,656
Name of Director	**Salary**	**Variable Bonus and Incentives**	**Allowances**	**Central Provident Fund Contribution**	**Directors Fees**	**Total**
	%	%	%	%	%	%
S$500,000 to S$749,999						
Mr Loh Meng Chong Stanley	34%	61%	3%	2%	0%	100%

CORPORATE GOVERNANCE REPORT

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

The breakdown remuneration of the top 5 key executives (who are not Directors of the Company) in percentage terms for the year ended 31 December 2018 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	73%	0%	27%	0%	100%
Ms Khoo Guek Fong	28%	4%	64%	4%	100%
Mr Gobinath A/L Gunaselan	56%	6%	29%	9%	100%
Ms Pang Su Chun	59%	3%	29%	9%	100%
Mr Gajendran Rajendra Babu	62%	5%	20%	13%	100%

The total remuneration paid to the above key management personnel for the financial year ended 31 December 2018 was S$0.97 million.

Other than as disclosed, the Company does not have any employee who is an immediate family member of a Director or CEO and whose remuneration exceeds S$50,000 during the financial year.

Currently, the Company does not have any employee share schemes.

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 Group's performance, position and prospect. The Management provides all Board members with management reports and accounts which represent balanced, understandable assessment of the Group's performance, position and prospects 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 12

The AC comprises the following members:

Name	Role in AC	Role In Board
Mr Chay Yiowmin	Chairman	Independent and Non-Executive Director
Ms Gn Jong Yuh Gwendolyn	Member	Independent and Non-Executive Director
Datuk Phang Ah Tong	Member	Independent and Non-Executive Director

CORPORATE GOVERNANCE REPORT

The AC members have many years of experience in their respective fields of accounting, audit, financial management, law and business. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

The AC has the authority to investigate any matters within its terms of reference and the discretion to invite any director to attend its meetings. The management shall grant full cooperation and resources to enable it to discharge its functions properly. The roles and responsibilities of the AC are to:

- Recommend to the Board, the external auditors 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 auditors, their evaluation of the adequacy of the system of internal accounting controls and compliance functions;
- Review the Group's audited annual report and other quarterly financial statements and related notes and formal announcements thereto; accounting principles adopted and the external auditors' report prior to recommending to the Board for approval;
- Review the nature, scope, extent and cost effectiveness of non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors;
- Review 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;
- To review the cooperation given by the Management to the external auditor;
- Discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- 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 respect of the overall audit process, the AC has:-

- Provided an open avenue of communication between the external auditors, internal auditors, the Management and the Board; and
- Kept under review the scope and results of the 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 meetings, and reasonable resources to enable it to discharge its functions properly.

The AC has also put in place an anti fraud 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 meets with external auditors, and with internal auditors, without the presence of the Company's Management, at least once a year.

The AC has reviewed the key audit matters disclosed in the independent external auditors' report and is of the view that there is no material inconsistency between the audit procedures adopted by the independent external auditors and Management's assessment and is satisfied that the key audit matters have been appropriately dealt with.

CORPORATE GOVERNANCE REPORT

The Company has appointed a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit. Moore Stephens LLP was appointed as the Company's external auditors on 7 November 2007. Mr Neo Keng Jin was appointed with effect from financial year ended 31 December 2018 as the audit engagement partner in charge of the audit of the Company. The Company confirms that Rule 712 of the SGX-ST's Listing Manual is complied with.

The auditors of the Company's subsidiaries are disclosed in the notes to the financial statements in this annual report. The Company confirms that the Company and the Group has complied with Rule 715 of the SGX-ST's Listing Manual.

For FY2018, the total amount of fees in respect of statutory audit and non-audit services provided by the external auditors for the Group amounted to approximately S$211,500 and S$60,000 respectively.

The AC is satisfied with the independence and objectivity of the external auditors during the financial year and has recommended to the Board the re-appointment of Moore Stephens LLP as external auditors at the forthcoming Annual General Meeting of the Company.

No former partner or director of the Company's existing auditing firm or auditing corporation, within a period of 12 months from the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation, is appointed to the AC.

Risk Management and Internal Controls – Principle 11
Internal audit – Principle 13

The Group has established a system of internal controls to address the financial, operational and compliance risks of the Group. The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's overall internal control framework, and for reviewing the adequacy and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the Group's key executives and the CEO and CFO have confirmed the adequacy and effectiveness of the internal controls and risk management systems and the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances. It should be noted, in the opinion of the Board, 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 AC selects and approves the appointment of the internal auditor ("IA"). The IA function of the Group is outsourced to KPMG Services Pte. Ltd. ("KPMG"). The IA reports to the AC. The AC had reviewed and approved the internal audit plan and reviewed the results of the internal audit. The AC is satisfied that the internal audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Group's IA 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. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company. The AC is also satisfied that the IA is staffed by suitably qualified and experienced personnel.

During the financial year, Management had taken remedial actions recommended by the internal and external auditors in prior financial year so as to enhance certain internal control procedures. New areas of improvement were also recommended and implemented during the current financial year.

CORPORATE GOVERNANCE REPORT

The Board also recognises the importance of establishing a risk management framework to facilitate the governance of risks and monitoring the effectiveness of internal controls. Accordingly, to facilitate the compliance of the Listing Manual, the Board has established a Risk Advisory Committee comprising key senior management executives during the financial year to advise the Board of the various financial, operational and compliance risks affecting the Group. Weightage were assigned to these risks and appropriate actions were taken to mitigate or avoid these risks. In addition, the Board sets the appropriate risk tolerance limits for each risk by considering the relative importance of the objectives. The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC.

The Company has commissioned KPMG to perform a risk assessment review and subsequently established a risk identification and management framework. In the Company, risks are identified and addressed, with the Board and senior management personnel of the Group and its subsidiaries taking ownership of these risks. Action plans to manage the risks are continually being monitored by Management and the Board.

The internal auditors will review policies and procedures as well as key controls over the selected areas as approved by the AC, and will highlight any issues to the Directors and the AC. Additionally, in performing their audit of the financial statements, the external auditors perform tests over operating effectiveness of certain controls that the auditors intend to rely on that are relevant to the Group's preparation of its financial statements. The external auditors also report any significant deficiencies in such internal controls to the Directors and the AC.

Based on the internal control framework established and maintained by Management, the reports from the internal and external auditors, and assurance reviewed from Management, the Board opines, with the concurrence of the AC, that the system of internal controls including financial, operational, compliance and information technology controls and risk management systems maintained by the Group's Management that was in place throughout the financial year up to the date of this report, is adequate to meet the needs of the Group in its current business environment. The Board, together with the AC and Management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

Shareholder Rights and Responsibilities – Principles 14, 15 and 16

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:-

- The Company's annual reports which are prepared and issued to all shareholders containing all relevant information about the Group, including future developments and other disclosures required by the Singapore Companies Act and the Singapore Financial Reporting Standards;
- Announcement of quarterly, half-yearly and full-year's results on the Singapore Exchange Securities Trading Limited's SGXNET;
- Press releases on major developments of the Group;
- Responding to all enquiries from investors, analysts, fund managers and the media through its Corporate Communications and Investor Relations department;
- Formal and informal media and analysts' briefings for the Group's interim and annual 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, press releases, annual reports and profiles of the Group.

CORPORATE GOVERNANCE REPORT

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 informed of general meetings through notices published in the newspapers and reports or circulars sent to all shareholders and via the Company's website. Shareholders are encouraged to attend and participate at the Company's Annual General Meeting to ensure that they have a better understanding of the Group's plans and developments for the future.

The Company's Constitution provides for a shareholder of the Company to appoint one or two proxies to attend the General Meeting and to vote in place of the shareholders. A relevant intermediary, which includes a corporation holding licences in providing nominee or custodial services and CPF Board, may appoint more than two proxies to attend and vote at the General Meeting. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures. The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the conclusion of the AGM. The Company prepares minutes of general meetings and makes these minutes of the discussion at the general meetings available to shareholders upon their request.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

The Constitution of the Company allowed shareholders who are unable to vote in any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile. However, such methods will only be implemented if necessary security and other measures to protect against errors, fraud and other irregularities are sufficient addressed.

The Chairman of the Board, Audit, Remuneration and Nominating Committees 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.

Dividend Policy

The Group has adopted a dividend policy since 15 May 2012 to declare dividends on a quarterly basis. The form, frequency, the amount of any dividend will depend on the Group's earnings and financial position, results of operation, capital expenditure requirements, future expansion and investment plans, profit after tax position, other funding requirements, and other factors. The Directors will continually review the dividend policy and reserve the right to update, amend, modify or cancel this dividend policy.

Over the past five years, the Group has declared total annual dividends at the rate of approximately 56% to 114% of the net profit after tax based on the audited consolidated financial statements. Any dividend payments are clearly communicated to shareholders via announcements on SGXNET.

CORPORATE GOVERNANCE REPORT

Dealing in Company's 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 unpublished price-sensitive information of the Group. All Directors and employees are also prohibited from dealing in the securities of the Company during the period beginning two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements and ending on the date of the announcement of the financial results. Directors and officers are also advised not to deal in the Company's securities for short term considerations and they are expected to observe insider-trading laws at all times. The Company issues regular internal memorandums to the Directors and officers of the Group to remind them of the aforementioned prohibitions.

Interested Person Transactions and Material Contracts

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 and Sure Achieve Consultant Pte Ltd, a company in which Mr Luong's wife, Mrs. Sylvia SY Lee Luong is a shareholder and director. There were also interested person transactions with Kalf Engineering Pte Ltd in which both Mr Luong Andy and Mr Stanley Loh have an interest. All interested person transactions were conducted on arm's length basis and on normal commercial terms within the regulatory guidelines. The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit Committee and the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders. Details of the interested person transactions are found on the supplementary financial information disclosures page of this Annual Report.

Except as disclosed in the interested person transactions note found on the supplementary financial information disclosures page of this Annual Report, there was no material contract or loan entered into between the Company and any of its subsidiaries involving interests of any of the CEO, Director or controlling shareholder, either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited consolidated financial statements of UMS Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2018, and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group 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 will be able to pay its debts as and when they fall due.

Directors

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

Mr Luong Andy	Executive Director
Mr Loh Meng Chong Stanley	Executive Director
Mr Chay Yiowmin	Independent Director
Ms Gn Jong Yuh Gwendolyn	Independent Director
Datuk Phang Ah Tong	Independent Director

Arrangements to Enable Directors to Acquire Shares or Debentures

Except as described in this statement, 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.

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 shares, share options, performance shares or debentures of the Company and related corporations (other than wholly-owned subsidiaries) as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors and the Company	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
	as at 1.1.18	as at 31.12.18	as at 1.1.18	as at 31.12.18
UMS Holdings Limited (the Company)		**No. of Ordinary shares**		
Mr Luong Andy	375,000	3,056,800	107,323,750	107,323,750
Mr Loh Meng Chong Stanley	375,000	500,000	–	–

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Directors' Interests in Shares or Debentures (cont'd)

By virtue of Section 7 of the Act, Mr Luong Andy is deemed to have an interest in the shares held by the Company in all its wholly-owned subsidiary companies.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2019.

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.

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.

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.

Audit Committee

The Audit Committee ("AC") comprises all independent directors. The members of the AC at the date of this report are as follows:

Mr Chay Yiowmin (Chairman)
Ms Gn Jong Yuh Gwendolyn
Datuk Phang Ah Tong

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

(a) Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

(b) Reviewed the quarterly financial information and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;

(c) Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

(d) Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Audit Committee (cont'd)

(e) 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;

(f) Reviewed the cost effectiveness and the independence and objectivity of the external auditor; and the nature and extent of non-audit services provided by the external auditor;

(g) Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(h) Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

(i) Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC having reviewed the external auditors' non-audit services, was of the opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The AC has held four meetings since the last directors' statement with full attendance from all members. In performing its functions, the AC has also met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

The Company confirms that Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual have been complied with.

Further information regarding the AC are detailed in the Corporate Governance Report set out in the Annual Report of the Company.

Independent Auditors

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

On behalf of the Board of Directors,

LUONG ANDY

LOH MENG CHONG STANLEY

Singapore
20 March 2019

INDEPENDENT AUDITORS' REPORT

To the Members of UMS Holdings Limited
(Incorporated in Singapore)

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of UMS Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

To the Members of UMS Holdings Limited
(Incorporated in Singapore)

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition For the financial year ended 31 December 2018, the Group has recorded revenue amounting to S$127,939,000. The accounting policies for revenue recognition are set out in Note 3(r) to the financial statements and the different revenue streams of the Group have been disclosed in Note 5 to the financial statements. Under SSA 240, The *Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, revenue recognition is a presumed fraud risk. Revenue recognition is susceptible to the higher risk that the revenue is recognised when the control of goods has not been transferred to the customers.	**Our response** We designed and performed the following key procedures, among others: – Assessed and tested the key controls in the revenue recognition process over the capture, authorisation, and recording of the revenue transactions. – Tested the effectiveness of controls on the processes related to revenue recognition relevant to our audit. – Performed sample testing on revenue and checked that the revenue recognition criteria are appropriately applied. – Performed cut-off tests to check whether the Group has complied with proper cut-off procedures and revenue is recognised in the appropriate accounting period. **Our findings** We found the Group's revenue recognition to be in line with its accounting policy as disclosed in Note 3(r) to the consolidated financial statements. Revenue is recognised appropriately and in the relevant accounting period.

INDEPENDENT AUDITORS' REPORT

To the Members of UMS Holdings Limited
(Incorporated in Singapore)

Key Audit Matters (cont'd)

Key Audit Matter (cont'd)	How our audit addressed the key audit matter
Valuation of Inventories We refer to Note 3(h) and Note 15 to the consolidated financial statements. The carrying value of inventories amounted to S$70,438,000, which accounted for 26% of the Group's total assets as at 31 December 2018. Inventories are carried in the consolidated financial statements at the lower of cost and net realisable value. 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.	**Our response** We focused on this area because of the high degree of management judgement required in determining the allowance for inventory obsolescence and the net realisable value of the inventories. We designed and performed the following key procedures, among others: – Evaluated the appropriateness of the Group's accounting policies on the valuation of its inventories. – Checked and analysed the ageing of the inventories. – Tested the unit cost of the inventories. – Evaluated and tested management's assessment of inventories to state them at the lower of cost and net realisable value. – Reviewed management's assessment of the allowance for inventory obsolescence, taking into consideration inventory ageing, physical condition of the inventories, past and expected future sales. **Our findings** We found the Group's inventories are recorded in accordance with the Group's accounting policies and management's assessment of inventory obsolescence is reasonable.

INDEPENDENT AUDITORS' REPORT

To the Members of UMS Holdings Limited
(Incorporated in Singapore)

Key Audit Matters (cont'd)

<table>
<tr><th>Key Audit Matter (cont'd)</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment of Goodwill

We refer to Note 3(b) and Note 21 to the consolidated financial statements.

As at 31 December 2018, the carrying amount of the Group's goodwill amounted to S$82,201,000.

The Group is required to perform an impairment test on goodwill of the cash generating unit ("CGU") by comparing its carrying amount with its recoverable amount as at the current year end. The recoverable amount is determined based on value in use calculations which includes discounted cash flow projections of the CGU to which the goodwill is allocated to.

The impairment test involves significant judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections. The recoverable amounts are highly sensitive to key assumptions applied in respect of gross margin, the long term growth rate and pre-tax discount rate. A small change in the assumptions can have a significant impact to the estimation of the recoverable amounts.

Based on the impairment test performed by management, no impairment loss was required during the current financial year ended 31 December 2018.
</td><td>
Our response

We designed and performed the following key procedures, among others:

– Conducted a detailed discussion with the Group's key management and finance key personnel and reviewed the impairment assessment process over the determination of the relevant cash generating units and estimates for forecasted revenues, growth rates, profit margin, tax rates and discount rates.

– Challenged management's estimates applied in the value-in-use models based on our knowledge of the Group's business activities, and compared them against historical forecasts and performance, and industry benchmarks.

– Evaluated the Group's planned strategies around revenue growth and cost controls and the sensitivity analysis of the possible increase or decrease in the estimated growth rate and discount rate used in the value-in-use models.

Our findings

We concluded that the identification of cash generating units was appropriate.

Based on the procedures performed, we found the estimated future cash flows and the rates used to be reasonable.

Based on our procedures, we noted that management's analysis and assessment, including sensitivity analysis, on the recoverability of goodwill can be supported.

Furthermore, we evaluated the adequacy of the Group's disclosures regarding the impairment testing of goodwill. We found the disclosures included in Note 21 to the consolidated financial statements to be appropriate in describing the impairment assessment performed in relation to goodwill.
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INDEPENDENT AUDITORS' REPORT

To the Members of UMS Holdings Limited
(Incorporated in Singapore)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

To the Members of UMS Holdings Limited
(Incorporated in Singapore)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Neo Keng Jin.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	Group 2018 S$'000	Group 2017 S$'000
Revenue	5	**127,939**	162,498
Changes in inventories		**20,805**	17,909
Raw material purchases and subcontractor charges		**(71,725)**	(91,476)
Employee benefits expense	6	**(16,616)**	(16,593)
Depreciation expense	17, 18	**(5,671)**	(4,321)
Other expenses	7	**(11,707)**	(12,322)
Other income/(charges)	8	**2,357**	(414)
Finance income	9	**210**	389
Finance expense	10	**(611)**	(390)
Impairment loss on investment in associate	19	**-**	(42)
Share of profit of associate	19	**525**	-
Profit before income tax		**45,506**	55,238
Income tax	11	**(2,853)**	(3,523)
Net profit for the year		**42,653**	51,715
Profit attributable to:			
Owners of the parent		**43,071**	52,037
Non-controlling interest		**(418)**	(322)
Total		**42,653**	51,715
Earnings per share			
- Basic	12	**8.03 cents**	9.70 cents
- Diluted	12	**8.03 cents**	9.70 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Group	
	2018	2017
	S$'000	S$'000
Net profit for the year	**42,653**	51,715
Other comprehensive (loss)/income, net of income tax:		
Items that may be classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(199)**	502
Total comprehensive income for the year attributable to the owners of the Company	**42,454**	52,217
Total comprehensive income attributable to:		
Owners of the parent	**42,948**	52,440
Non-controlling interest	**(494)**	(223)
	42,454	52,217

BALANCE SHEETS

As at 31 December 2018

	Note	Group 31 Dec 2018 S$'000	Group 31 Dec 2017 S$'000 (reported under SFRS(I))	Group 1 Jan 2017 S$'000 (reported under SFRS(I))	Company 31 Dec 2018 S$'000	Company 31 Dec 2017 S$'000 (reported under SFRS(I))	Company 1 Jan 2017 S$'000 (reported under SFRS(I))
ASSETS							
Current Assets							
Cash and bank balances	13	**18,926**	59,571	42,620	**181**	805	329
Trade receivables and other current assets	14	**15,149**	23,431	20,944	**8,736**	10,097	3,618
Loan to a subsidiary	14(a)	**-**	-	-	**2,322**	-	-
Inventories	15	**70,438**	49,633	31,725	**-**	-	-
Total Current Assets		**104,513**	132,635	95,289	**11,239**	10,902	3,947
Non-Current Assets							
Investments in subsidiaries	16	**-**	-	-	**200,481**	193,405	192,415
Property, plant and equipment	17	**53,368**	38,782	31,704	**-**	-	-
Investment property	18	**2,100**	2,240	2,284	**-**	-	-
Investments in associates	19	**29,501**	-	-	**28,976**	-	-
Loan to associate	20	**3,345**	3,296	828	**3,345**	3,296	828
Goodwill	21	**82,201**	82,201	80,083	**-**	-	-
Total Non-Current Assets		**170,515**	126,519	114,899	**232,802**	196,701	193,243
Total Assets		**275,028**	259,154	210,188	**244,041**	207,603	197,190
LIABILITIES AND EQUITY							
Current Liabilities							
Bank borrowings	22	**20,295**	19,001	249	**-**	-	-
Trade and other payables	23	**14,123**	18,077	16,563	**38,755**	5,575	6,067
Loan from related parties	22	**1,403**	-	-	**-**	-	-
Income tax payable		**2,316**	3,285	2,210	**14**	27	7
Total Current Liabilities		**38,137**	40,363	19,022	**38,769**	5,602	6,074
Non-Current Liabilities							
Loan from related parties	22	**3,419**	3,158	-	**-**	-	-
Deferred tax liabilities	11	**2,606**	1,427	1,243	**-**	-	-
Long-term provision	24	**405**	405	433	**-**	-	-
Total Non-Current Liabilities		**6,430**	4,990	1,676	**-**	-	-
Total Liabilities		**44,567**	45,353	20,698	**38,769**	5,602	6,074
Capital and Reserves							
Share capital	25	**136,623**	136,623	136,623	**136,623**	136,623	136,623
Reserves	26	**(10,683)**	(10,560)	(10,963)	**-**	-	-
Retained earnings		**102,612**	89,045	63,830	**68,649**	65,378	54,493
		228,552	215,108	189,490	**205,272**	202,001	191,116
Non-controlling interest		**1,909**	(1,307)	-	**-**	-	-
Total Equity		**230,461**	213,801	189,490	**205,272**	202,001	191,116
Total Liabilities and Equity		**275,028**	259,154	210,188	**244,041**	207,603	197,190

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Attributable to owners of the Company					
	Share capital	Foreign Exchange Translation Reserve	Retained earnings	Total	Non-controlling interest	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
2018						
Balance at 1 January 2018	**136,623**	**(10,560)**	**89,045**	**215,108**	**(1,307)**	**213,801**
Net profit for the year	**–**	**–**	**43,071**	**43,071**	**(418)**	**42,653**
Other comprehensive loss - Exchange differences on translation of foreign operations	**–**	**(123)**	**–**	**(123)**	**(76)**	**(199)**
Total comprehensive (loss)/income for the year	**–**	**(123)**	**43,071**	**42,948**	**(494)**	**42,454**
Dividends	**–**	**–**	**(29,504)**	**(29,504)**	**–**	**(29,504)**
Effect on non-controlling interest on acquisition of a subsidiary	**–**	**–**	**–**	**–**	**3,710**	**3,710**
Balance at 31 December 2018	**136,623**	**(10,683)**	**102,612**	**228,552**	**1,909**	**230,461**
2017						
Balance at 1 January 2017	136,623	(10,963)	63,830	189,490	–	189,490
Net profit for the year	–	–	52,037	52,037	(322)	51,715
Other comprehensive income - Exchange differences on translation of foreign operations	–	403	–	403	99	502
Total comprehensive income/(loss) for the year	–	403	52,037	52,440	(223)	52,217
Dividends	–	–	(26,822)	(26,822)	–	(26,822)
Effect on non-controlling interest on acquisition of a subsidiary	–	–	–	–	(1,084)	(1,084)
Balance at 31 December 2017	136,623	(10,560)	89,045	215,108	(1,307)	213,801

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	Group 2018 S$'000	Group 2017 S$'000
Cash Flows from Operating Activities			
Profit before income tax		**45,506**	55,238
Adjustments for:			
Gain on acquisition of a subsidiary	8, 16	**(1,580)**	–
Depreciation expense	17, 18	**5,671**	4,321
Property, plant and equipment written off	8	**4**	–
Loss allowance for trade debts	8	**90**	–
Unwinding discount on long-term provision	9	**–**	(28)
Gain on disposal of property, plant and equipment	8	**(10)**	(1,900)
Inventories written off	8	**61**	225
Reversal of inventories obsolescence	8	**(34)**	(910)
Interest income	9	**(210)**	(361)
Interest expense	10	**611**	390
Impairment loss on investment in associate	19	**–**	42
Share of profit of associate	19	**(525)**	–
Unrealised foreign exchange loss		**103**	2,605
Operating cash flows before working capital changes		**49,687**	59,622
Changes in working capital:			
Decrease/(increase) in trade receivables and other current assets		**11,188**	(1,425)
Increase in inventories		**(13,030)**	(16,745)
(Decrease)/increase in trade and other payables		**(5,609)**	581
Cash generated from operations		**42,236**	42,033
Income tax paid		**(3,566)**	(2,060)
Net cash generated from operating activities		**38,670**	39,973
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		**21**	1,901
Purchase of property, plant and equipment	17	**(15,685)**	(10,564)
Improvement to investment property	18	**(12)**	(103)
Loan to associate	20	**–**	(2,468)
Investment in associate	19	**(28,976)**	(42)
Interest received		**210**	361
Net cash outflow on acquisition of a subsidiary (Note A)		**(4,386)**	(866)
Net cash used in investing activities		**(48,828)**	(11,781)

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	Group 2018 S$'000	Group 2017 S$'000
Cash Flows from Financing Activities			
Proceeds from bank borrowings		**48,320**	25,766
Repayment of bank borrowings		**(47,254)**	(7,014)
Repayment of loan from related parties		**(1,403)**	–
Dividends paid	27	**(29,504)**	(26,822)
Interest paid		**(611)**	(390)
Net cash used in financing activities		**(30,452)**	(8,460)
Net (decrease)/increase in cash and cash equivalents		**(40,610)**	19,732
Cash and cash equivalents at the beginning of the year		**59,571**	42,620
Net effect of exchange rate changes on the balances of cash and cash equivalents held in foreign currencies		**(35)**	(2,781)
Cash and cash equivalents at the end of the year (Note 13)		**18,926**	59,571

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

	1 January 2018 S$'000	Cash flow S$'000 Proceeds	Cash flow S$'000 Repayment	Non-cash changes S$'000 Foreign currency exchange/ and interest expenses	Non-cash changes S$'000 Acquisition of a subsidiary	31 December 2018 S$'000
Bank borrowings	19,001	48,320	(47,254)	228	–	**20,295**
Loan from related parties (Current Liabilities)	–	–	(1,403)	–	2,806	**1,403**
Loan from related parties (Non-Current Liabilities)	3,158	–	–	261	–	**3,419**
	22,159	48,320	(48,657)	489	2,806	**25,117**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	1 January 2017	Cash flow		Non-cash changes		31 December 2017
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
		Proceeds	Repayment	Foreign currency exchange/ and interest expenses	Acquisition of a subsidiary	
Bank borrowings	249	25,766	(7,014)	–	–	19,001
Loan from related parties	–	–	–	40	3,118	3,158
	249	25,766	(7,014)	40	3,118	22,159

Note A

The Group acquired a subsidiary, Starke Singapore Pte. Ltd. on 13 August 2018. The impact on acquisition on the cash flows of the Group is as follows:

	13 August 2018 S$'000
Impact on acquisition on the cash flows of the Group	
Purchase consideration in cash	7,076
Less:	
Cash and bank balances	(2,690)
Net cash outflow on acquisition	4,386

The Group acquired a subsidiary, Kalf Engineering Pte. Ltd. on 31 March 2017. The impact on acquisition on the cash flows of the Group is as follows:

	31 March 2017 S$'000
Impact on acquisition on the cash flows of the Group	
Purchase consideration in cash	990
Less:	
Cash and bank balances	(124)
Net cash outflow on acquisition	866

Please refer to Note 16 for more information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 a public limited company incorporated and domiciled in Singapore, and is listed on the Mainboard 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 consolidated financial statements.

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

The financial statements for the financial year ended 31 December 2018 were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

2 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements, which are expressed in Singapore Dollar ("S$"), are rounded to the nearest thousand dollar (S$'000), except as otherwise indicated. The financial statements have been prepared on a historical cost basis, except as disclosed in the summary of accounting policies set out in Note 3 to the consolidated financial statements.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the consolidated financial statements.

Adoption of SFRS(I)

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group has prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Basis of Preparation (cont'd)

Adoption of SFRS(I) *(cont'd)*

Optional exemptions applied on adoption of SFRS(I)

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

a) SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

b) SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

   Under the previous SFRS, goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3(u) to the financial statements.

   Goodwill and fair value adjustments which arose on acquisition of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

c) The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

d) The Group has elected to apply the requirements in the SFRS(I) 1-23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under SFRS prior to date of transition are not restated.

e) The Group has elected the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the information presented for 2017 is presented, as previously reported, under SFRS 39 *Financial Instruments: Recognition and Measurement*. Arising from this election, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* to the extent that the disclosures as required by SFRS(I) 7 to items within the scope of SFRS(I) 9.

f) The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients as allowed under SFRS(I) 1 as follows:

   i. The Group has not restated those completed contracts that began and ended in the same annual reporting in 2017 and contracts completed at 1 January 2017;

   ii. for completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;

   iii. for contracts which were modified before 1 January 2017, the Group did not retrospectively restate the contract for those contract modifications; and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 Basis of Preparation (cont'd)

Adoption of SFRS(I) (cont'd)

Optional exemptions applied on adoption of SFRS(I) (cont'd)

iv. for the year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows are provided in Note 33 to the consolidated financial statements.

3 Summary of Significant Accounting Policies

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

Subsidiaries *(cont'd)*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFRS(I) 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Goodwill on Consolidation

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous held equity interest in the acquiree over (ii) the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. The cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent years.

When goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. In this circumstance, goodwill disposed of is measured based on the relative fair values of the operations disposed of, and the portion of the CGU retained.

(c) Investments in Subsidiaries

In the Company's separate financial statements, the investments in subsidiaries are stated at cost less any impairment losses. An assessment of the investments in subsidiaries is performed when there is an indication that the investments may have been impaired.

On disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(d) Investments in Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. If the Group holds, directly or indirectly, less than 20% of the voting rights, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

Goodwill on acquisition of associates represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates is included in the carrying amount of the investments. Gains and losses on the disposal of associates include the carrying amounts of goodwill relating to the entity sold.

Investments in associates are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

When the Group reduces its ownership interest in an associate, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Property, Plant and Equipment

Measurement

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

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

Depreciation

Depreciation is calculated on a straight-line method to write off the cost of the property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Freehold buildings	-	50 years
Leasehold property	-	60 years
Plant and equipment	-	3 to 10 years

Freehold land has an unlimited useful life and therefore is not depreciated.

Any assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

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

The estimated residual values, useful lives and depreciation method are reviewed annually, 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.

Subsequent expenditure

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 of the item can be reliably measured. Other subsequent expenditure is recognised as an expense during the year in which it is incurred.

Disposal

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset, and is recognised in profit or loss.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(f) Investment Property (cont'd)

Depreciation is calculated on a straight-line basis over a period of 30 years.

The residual values, useful lives and depreciation method of the investment property are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

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 gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

When the cost model is applied, the fair value of the investment property is disclosed at each reporting date.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents (as defined above) less any restricted deposit balances that are pledged to secure banking facilities.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on 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 represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

(i) 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, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

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 this case, such impairment loss of a revalued asset is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

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

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

(j) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and net amount reported in the balance sheets, when and only when, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the financial assets and settle the financial liabilities simultaneously.

(k) Financial Assets

The accounting for financial assets from 1 January 2018 is as follows:

(i) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

(ii) *Initial Recognition*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets measured at amortised costs are presented as "cash and bank balances", "trade receivables and other current assets (excluding prepayments)", "loan to a subsidiary" and "loan to associate" on the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

(iii) *Subsequent Measurement*

The Group and the Company only have debt instruments in the balance sheets.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other income / other expenses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income", if any.

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income / other expenses", if any.

Debt instruments mainly comprise cash and cash equivalents and trade and other receivables (including loan to a subsidiary and loan to associate) measured at amortised cost.

(iv) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

(v) *Impairment*

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

For trade receivables, lease receivables, if any, and contract assets, if any, the Group applies the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(vi) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not other consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

(vii) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

The accounting for financial assets before 1 January 2018 is as follows:

(i) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are presented as "cash and bank balances", "trade receivables and other current assets (excluding prepayments)", "loan to a subsidiary" and "loan to associate" on the balance sheets.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and the carrying amount is recognised in profit or loss. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

(iii) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(iv) *Subsequent measurement*

Financial assets are subsequently carried at amortised cost using the effective interest method.

(v) *Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

(v) Impairment (cont'd)

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period using the effective interest method in which they are incurred.

(m) Financial Liabilities

An entity shall recognise a financial liability on its balance sheets when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial liabilities, which include bank borrowings, trade and other payables and loans from related parties, are initially measured at fair value, plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integrated part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(n) Provisions

Provisions are recognised when the Group has 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Employee Benefits

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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund/Employees Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

(p) Share Capital

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

(q) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(r) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

3 Summary of Significant Accounting Policies (cont'd)

(r) Revenue Recognition (cont'd)

(i) Sale of goods and services

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices.

Revenue is recognised at a point in time upon satisfaction of the PO, which generally coincides with the delivery of goods and when services are rendered. The transaction price allocated is recognised as a contract liability at the time of the initial sales transaction and is released upon satisfaction of the PO.

(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.

(s) Operating Leases

As lessor

Leases of investment property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as income in profit or loss when incurred.

As lessee

Leases of factory premises where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(t) Income Tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

Deferred tax

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.

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 tax 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(t) Income Tax (cont'd)

Deferred tax (cont'd)

The Group will recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at the date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

(u) Foreign Currencies

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Singapore Dollar ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences 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, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in the foreign currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(u) Foreign Currencies (cont'd)

Translation of Group entities' financial statements

The results and financial position of each group entity that has a functional currency different from the presentation currency is translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rate at the balance sheet date;

- 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 transactions); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the balance sheet date. Exchange differences arising are recognised in other comprehensive income.

(v) Segment Reporting

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

(w) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").

a. A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 Summary of Significant Accounting Policies (cont'd)

(w) Related Parties (cont'd)

b. An entity is related to a reporting entity if any of the following conditions applies:

i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

iii. both entities are joint ventures of the same third party;

iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

vi. the entity is controlled or jointly controlled by a person identified in (a);

vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4 Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, management 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 Critical Accounting Estimates and Judgements (cont'd)

(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 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.

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 function. It could change significantly as a result of technical innovations and competitor actions. Management will increase the depreciation charge where the useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

There is no change in the estimated useful lives of property, plant and equipment and investment property during the financial year. The carrying amounts of property, plant and equipment and investment property of the Group as at 31 December 2018 amounted to S$53,368,000 (2017: S$38,782,000) and S$2,100,000 (2017: S$2,240,000) respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximate 0.7% (2017: 0.4%) change in the Group's net profit for the year. Further details are given in Notes 17 and 18 to the consolidated financial statements.

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.

No impairment loss has been recognised on its goodwill during the financial year ended 31 December 2018 (2017: Nil). The carrying amount of goodwill as at 31 December 2018 amounted to S$82,201,000 (2017: S$82,201,000). Further details are given in Note 21 to the consolidated financial statements.

Impairment of investments in subsidiaries and associates

The Group and the Company follow the guidance of SFRS(I) 1-36 in determining the recoverability of their investments in subsidiaries and associates. This requires assessment as to whether the carrying amount of their investments in subsidiaries and associates can be supported by the net present value of future cash flows derived from such investments using cash flow projections which have been discounted at an appropriate rate. This determination requires significant judgement and the Group and the Company determine forecasts of future cash flows based on its estimates of future revenues and operating expenses using historical and industry trends, general market conditions, forecasts and other available information. No impairment has been recognised during the financial year ended 31 December 2018 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 Critical Accounting Estimates and Judgements (cont'd)

(a) Key Sources of Estimation Uncertainty (cont'd)

Impairment of loan and receivables

As at 31 December 2018, the trade and other receivables (excluding prepayments and including loan to a subsidiary and loan to associate) of the Group and the Company as at 31 December 2018 amounting to S$17,285,000 (2017: S$23,558,000) and S$14,391,000 (2017: S$13,380,000) (Notes 14, 14(a) and 20), respectively.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECLs"). The ECLs on trade receivables are estimated using a provision matrix which involves grouping receivables according to historical loss patterns (e.g. customer rating or product or by geographical location) and applying a historic provision rate which is based on days past due for groupings of various customer segments that have similar loss patterns. In devising such a provision matrix, the Group uses its historical credit loss experience with forward-looking information (adjusted as necessary to reflect current conditions and forecast economic conditions) to estimate the lifetime expected credit losses on the trade receivables and contract assets. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's and the Company's loan and receivables are disclosed in Note 14 to the consolidated financial statements.

Loss allowance for trade debts of S$90,000 (2017: Nil) has been recognised during the financial year ended 31 December 2018 (Note 14).

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no customer in financial difficulties during the financial year.

The Group's and the Company's credit risk exposure for loan and receivables are set out in Note 32(a)(ii) to the consolidated financial statements.

(b) Critical Judgements in applying Accounting Policies

In the process of applying the Group'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.

Allowance for inventories obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. 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. Allowances are recorded against the inventories based on historical obsolescence of slow-moving inventories.

During the financial year ended 31 December 2018, the Group recognised a reversal of inventories obsolescence of S$34,000 (2017: S$910,000) (Note 8). In addition, inventories amounting to S$61,000 (2017: S$225,000) were written off during the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5 Revenue

	Group	
	2018	2017
	S$'000	S$'000
Sale of goods and services	**127,781**	162,103
Rental income	**158**	395
	127,939	162,498

<u>Disaggregation of revenue from contracts with customers</u>

The Group derives revenue from the transfer of goods and services at a point in time in the following major geographical regions. Revenue is attributed to countries by location of customers.

	Group	
	2018	2017
	S$'000	S$'000
Singapore	**70,230**	111,871
USA	**24,483**	17,352
Taiwan	**26,720**	23,615
Malaysia	**4,488**	6,010
Others	**2,018**	3,650
Total	**127,939**	162,498

<u>Contract liabilities</u>

		Group	
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	S$'000	S$'000	S$'000
- Customised equipment contracts	**267**	107	11

Contract liabilities for the customised equipment contracts has increased due to more contracts in which the Group billed and received consideration ahead of the provision of services.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5 Revenue (cont'd)

Contract liabilities (cont'd)

Significant change in the contract liabilities balance during the reporting period is disclosed as follows:

	Group	
	2018	2017
	S$'000	S$'000
Revenue recognised in current year that was included in the contract liabilities balance at the beginning of the year	107	–
Increase due to cash received, excluding amounts recognised as revenue during the year	267	96

No significant revenue is recognised during the financial year ended 31 December 2018 from performance obligations satisfied (or partially satisfied) in the previous periods, due to changes in transaction price.

Transaction price allocated to contracts that are partially or fully unsatisfied

		Group	
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	S$'000	S$'000	S$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	5,159	–*	–*

* *As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 is not disclosed.*

Management expects the transaction price of S$5,159,000 allocated to the unsatisfied performance obligations as of 31 December 2018 may be recognised as revenue during the next financial year. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal, if any.

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6 Employee Benefits Expense

	Group	
	2018 S$'000	2017 S$'000
Salaries and wages	**(11,867)**	(10,783)
Expenses on executive bonus plan to key management personnel	**(2,893)**	(4,276)
Contributions to defined contribution plans	**(1,856)**	(1,534)
	(16,616)	(16,593)

7 Other Expenses

	Group	
	2018 S$'000	2017 S$'000
The major components include the following:		
Utilities	**(3,424)**	(2,888)
Rental expense	**(489)**	(977)
Upkeep of machinery	**(1,945)**	(2,501)
Freight charges	**(697)**	(809)
Legal and professional fees	**(490)**	(616)
Consultancy fees	**(1,607)**	(1,730)
Auditor's remuneration		
- Company's auditors	**(212)**	(195)
- Other auditors	**(13)**	(11)
Non-audit fees		
- Company's auditors	**(60)**	(20)
- Other auditors	**(50)**	–
Tax fees	**(36)**	(28)
Upkeep of properties	**(568)**	(496)
Insurance	**(494)**	(475)
Property tax	**(211)**	(244)
Others	**(1,411)**	(1,332)
	(11,707)	(12,322)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8 Other Credits/(Charges)

	Group	
	2018	2017
	S$'000	S$'000
Gain on acquisition of a subsidiary	**1,580**	–
Loss allowance for trade debts (Note 14)	**(90)**	-
Property, plant and equipment written off	**(4)**	-
Reversal of inventories obsolescence	**34**	910
Foreign exchange gains/(losses) – net	**751**	(3,092)
Inventories written off	**(61)**	(225)
Gain on disposal of property, plant and equipment	**10**	1,900
Others	**137**	93
	2,357	(414)

The reversal of inventories obsolescence is mainly due to the subsequent utilisation of inventories.

9 Finance Income

	Group	
	2018	2017
	S$'000	S$'000
Interest income from cash and cash equivalents	**181**	232
Interest income from loan to associate	**29**	129
	210	361
Finance income		
- Unwinding discount on long-term provision (Note 24)	**-**	28
	210	389

10 Finance Expense

	Group	
	2018	2017
	S$'000	S$'000
Interest expense		
- bank borrowings	**(321)**	(210)
- loans from related parties	**(290)**	(180)
	(611)	(390)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Income Tax

	Group 2018 S$'000	Group 2017 S$'000
Current income tax:		
- current year	**1,896**	3,435
- under/(over) provision in respect of prior years	**193**	(96)
	2,089	3,339
Deferred taxation:		
- current year	**998**	184
- over provision in respect of prior years	**(234)**	–
	764	184
	2,853	3,523

A reconciliation of the applicable tax rate to the Group's effective tax rate applicable to profit before income tax for the financial year is as follows:

	Group 2018 S$'000	Group 2017 S$'000
Profit before income tax	**45,506**	55,238
Share of profit of associate	**(525)**	–
	44,981	55,238
Tax at the applicable tax rate of 17%	**7,647**	9,390
Tax effect of non-deductible items*	**2,497**	2,329
Income not subject to taxation*	**(1,313)**	(1,305)
Under/(over) provision of income tax in respect of prior years	**193**	(96)
Over provision of deferred tax in respect of prior years	**(234)**	–
Deferred tax assets not recognised	**218**	145
Utilisation of deferred tax benefits previously not recognised	**(24)**	–
Tax exemption	**(8,073)**	(9,464)
Singapore statutory stepped exemption	**(148)**	(120)
Effect of different tax rates operating in other jurisdictions	**2,090**	2,644
	2,853	3,523

* Mainly relates to expenses of/income derived by those entities of the Group, whose principal activities are those of investment holding that do not qualify for deduction/are not taxable as they are capital in nature, in accordance with the relevant tax regulation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Income Tax (cont'd)

The applicable tax rate used for the reconciliations above is the corporate tax rate of 17% (2017: 17%) payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction.

The tax exemption relates to subsidiaries in Malaysia which have been granted pioneer status by the Inland Revenue Board of Malaysia for a period of five years with an option to apply for another five-year extension and ten years, respectively. During this period, all trading income of the subsidiaries is exempted for income tax purposes.

The Malaysian statutory tax rate used remained at 24% in the current financial year ended 31 December 2018.

The deferred tax assets and liabilities as at the end of reporting period are as follows:

	At the beginning of the year S$'000	Acquisition of subsidiary S$'000	Debited/ (credited) to income statement S$'000	At the end of the year S$'000
Group				
31 Dec 2018				
Deferred tax liabilities:				
Excess of net book value of property, plant and equipment	1,452	–	746	2,198
Acquisition of subsidiary (Note 16)	–	415	–	415
Total deferred tax liabilities	1,452	415	746	2,613
Deferred tax assets:				
Provisions	(25)	–	18	(7)
Total deferred tax assets	(25)	–	18	(7)
Net deferred tax liabilities	1,427	415	764	2,606

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Income Tax (cont'd)

	At the beginning of the year S$'000	Debited/ (credited) to income statement S$'000	At the end of the year S$'000
Group			
31 Dec 2017			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	1,262	190	1,452
Total deferred tax liabilities	1,262	190	1,452
Deferred tax assets:			
Provisions	(19)	(6)	(25)
Total deferred tax assets	(19)	(6)	(25)
Net deferred tax liabilities	1,243	184	1,427
1 Jan 2017			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	984	278	1,262
Total deferred tax liabilities	984	278	1,262
Deferred tax assets:			
Provisions	(12)	(7)	(19)
Total deferred tax assets	(12)	(7)	(19)
Net deferred tax liabilities	972	271	1,243

Deferred tax assets are to be recovered after one year.

	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Deferred tax liabilities:			
- to be settled within one year	**185**	105	–
- to be settled after one year	**2,428**	1,347	1,262
	2,613	1,452	1,262

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 Income Tax (cont'd)

As at 31 December 2018, the Group has unutilised tax losses of approximately S$6,166,000 (2017: S$4,882,000) available for offset against future taxable income, subject to agreement with the tax authorities on the relevant tax regulations. The tax losses have no expiry date. The deferred tax assets arising from these unutilised tax losses totalling approximately S$1,048,000 (2017: S$830,000) have not been recognised in accordance with the accounting policy in Note 3(t).

As at 31 December 2018, no deferred tax liability (2017: Nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's overseas subsidiaries as:

- No withholding tax is imposed on dividends from Malaysia subsidiaries due to the double tax agreement between Malaysia and Singapore.

- The USA subsidiary has minimal undistributed earnings, thus the Group does not foresee any distribution of earnings.

12 Earnings Per Share

The earnings per share is calculated by dividing the Group's net profit for the year attributable to the owners of the Company by the weighted average number of ordinary shares outstanding in issue during the financial year:

	Group	
	2018	**2017**
	S$'000	**S$'000**
Net profit attributable to the owners of the Group (S$'000)	**43,071**	52,037
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	**536,429,579**	536,429,579
Basic earnings per share (Singapore cents)	**8.03**	9.70
Diluted earnings per share (Singapore cents)	**8.03**	9.70

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding as at 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13 Cash and Bank Balances

	Group			Company		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Cash on hand and at banks, and short-term bank deposit (i)	**16,038**	57,100	37,280	**181**	805	329
Fixed deposits (i)	**2,888**	2,471	5,340	**–**	–	–
	18,926	59,571	42,620	**181**	805	329

(i) The rates of interest for the interest earning bank accounts and the fixed deposits are between Nil and 3.50% (2017: Nil and 3.40%) per annum with maturity period within one year.

Included in fixed deposits is a sum of S$190,000 (2017: Nil) which is not freely remissible for use by the Group because of overseas withdrawal restrictions.

14 Trade Receivables and Other Current Assets

	Group			Company		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Trade receivables:						
Third parties	**11,772**	19,202	15,861	**–**	–	–
Former related party, now a subsidiary	**–**	–	1,947	**–**	–	–
Less: Loss allowance for trade debts	**(90)**	–	–	**–**	–	–
	11,682	19,202	17,808	**–**	–	–
Other receivables and deposits:						
Subsidiaries	**–**	–	–	**8,718**	10,074	3,579
Third parties	**674**	384	1,000	**6**	10	8
Related parties	**1,229**	298	123	**–**	–	17
Deposits	**663**	686	665	**308**	308	308
Less: Loss allowance	**(308)**	(308)	(308)	**(308)**	(308)	(308)
	2,258	1,060	1,480	**8,724**	10,084	3,604
Prepayments	**1,209**	3,169	1,656	**12**	13	14
Trade receivables and other current assets	**15,149**	23,431	20,944	**8,736**	10,097	3,618

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For the financial year ended 31 December 2018

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

The movement in credit loss allowance is as follows:

	Group	
	2018	2017
	S$'000	S$'000
At 1 January 2018 per SFRS(I) 9	-	–
Loss allowance recognised in income statement during the year on:		
Assets acquired/originated	(90)	–
At 31 December 2018 per SFRS(I) 9	(90)	–

The average credit period generally granted for trade receivables is between 30 and 90 days (2017: between 30 and 90 days).

Trade receivables

Loss allowance for impairment for trade receivables has always been measured at an amount equal to lifetime expected credit losses ("ECL") as disclosed in the accounting policy in Note 3(k). The Group regards as defaulted and recognises a loss allowance of 100% against certain receivables (credit-impaired) when historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting year. None of the trade receivables that have been written off is subject to recovery process.

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group's credit risk in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as presented in Note 32(a)(ii). The Group's provision for loss allowance is determined based on the default rate by credit rating of customers, obtained from independent credit rating companies.

The Group's trade receivables due from third parties include an outstanding receivable which amounted to approximately S$6.3 million (2017: S$12.0 million) from a key customer which accounted for more than 50% (2017: more than 50%) of the Group's total revenue for the current financial year. Management have considered these facts 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. Management has assessed this key customer as low credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Other receivables

The non-trade receivables from subsidiaries (Company level) and related parties (Group level) are unsecured, interest-free and repayable in cash. Other receivables from third parties are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition.

For the purpose of impairment assessment, amounts due from subsidiaries and related parties are considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the Group and there has been no significant increase in risk of default on the amounts due from subsidiaries and related parties since initial recognition.

In determining the ECL, management has taken into account the historical default experience and the financial positions of the subsidiaries and related parties, adjusted for factors that are specific to the subsidiaries and related parties and general economic conditions of the industry in which the subsidiaries and related parties operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for amounts due from subsidiaries and related parties. The above assessment is after taking into account the current financial positions of the entities.

Accordingly, for the purpose of impairment assessment for subsidiaries and related parties, including non-trade third parties receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses ("ECL").

Please refer to Note 32(a)(ii) for ageing analysis of trade and other receivables of the Group.

Comparative credit risk disclosures for trade and other receivables (including loan to associate)

The table below is an analysis of trade and other receivables (including loan to an associate) as at the end of reporting period:

	Group 2017 S$'000	Company 2017 S$'000
Not past due and not impaired	19,684	10,258
Past due but not impaired		
• Less than 30 days	2,937	–
• More than 30 days	937	3,122
	23,558	13,380
Impaired receivables - individually assessed	308	308
Less: Allowance for impairment losses	(308)	(308)
	–	–
Trade and other receivables, net	23,558	13,380

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Other receivables (cont'd)

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables past due but not impaired. These receivables are mainly arising by customers that have a good credit record with the Group.

14(a) Loan to a subsidiary

The loan to a subsidiary is non-trade in nature, unsecured and repayable on demand. The loan is denominated in United States Dollar and bears interest at 2.4% (2017: Nil) per annum.

For the purpose of impairment assessment, loan to a subsidiary is considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the Group and there has been no significant increase in risk of default on the amount due from a subsidiary since initial recognition. Accordingly, for the purpose of impairment assessment for this receivable, the loss allowance is measured at an amount equal to 12-month expected credit losses ("ECL").

15 Inventories

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Lower of cost and net realisable values:			
Finished goods and goods for resale	**13,183**	11,349	5,515
Work-in-progress	**9,976**	9,521	15,932
Raw materials	**47,279**	28,763	10,278
	70,438	49,633	31,725
Cost of inventories sold recognised as cost of sales in the consolidated income statement	**50,920**	73,567	47,815

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 Investments in Subsidiaries

	Company 31 Dec 2018 S$'000	Company 31 Dec 2017 S$'000	Company 1 Jan 2017 S$'000
Unquoted equity shares, at cost	**224,279**	217,203	216,213
Less: Allowance for impairment loss	**(23,798)**	(23,798)	(23,798)
	200,481	193,405	192,415
Movements in the allowance for impairment loss of investments in subsidiaries:			
Balance at the beginning and the end of the year	**23,798**	23,798	23,798

The subsidiaries held by the Company and its subsidiaries as at the end of reporting period are listed below:

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group 2018 %	Effective percentage of equity held by Group 2017 %	Company's cost of investment 2018 S$'000	Company's cost of investment 2017 S$'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
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	**127,081**	127,081
UMS Aerospace Pte Ltd (Singapore)	Precision machining of machine parts for oilfield precision component manufacturers and other industries	**100**	100	**20,000**	20,000

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For the financial year ended 31 December 2018

16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2018	2017	2018	2017
		%	%	S$'000	S$'000
Held by the Company (cont'd)					
Integrated Manufacturing Technologies Pte Ltd (Singapore)	Stainless steel gaslines and weldment manufacturing and assembly	**100**	100	**19,803**	19,803
Integrated Manufacturing Technologies Inc (United States) [1]	Stainless steel gaslines and weldment manufacturing and assembly	**100**	100	**8,196**	8,196
Ultimate Machining Solutions (M) Sdn. Bhd. (Malaysia) [2]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	**100**	100	**30,772**	30,772
Kalf Engineering Pte. Ltd. (Singapore)	Manufacturing and repairing of waste water treatment equipment and supply of environmentally-friendly, electrolyte water disinfection system and other related products	**51**	51	**990**	990
Starke Singapore Pte Ltd (Singapore)	Trading of non-ferrous metal alloys	**70**	–	**7,076**	–
				224,279	217,203
Held through UMS International Pte Ltd					
Ultimate Manufacturing Solutions (M) Sdn. Bhd. (Malaysia) [2]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	**100**	100	**-**	–
Held through UMS Pte Ltd					
UMS Solutions Pte Ltd (Singapore)	Holder of investment property	**100**	100	**-**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2018	2017	2018	2017
		%	%	S$'000	S$'000
Held through Kalf Engineering Pte. Ltd.					
浙江凯富环境治理工程有限公司 (People's Republic of China) [3]	Inactive	**100**	100	**–**	–
Held through Starke Singapore Pte. Ltd.					
Starke Asia Sdn. Bhd. (Malaysia) [4]	Inactive	**100**	–	**–**	–

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

1 Statutory audit is not required in the country of incorporation but audited by Moore Stephens LLP for consolidation purposes.

2 Audited by Moore Stephens Associates & Co, Malaysia.

3 No paid-up share capital contributed as at 31 December 2018.

4 Incorporated on 14 September 2018. The first set of audited financial statements for Starke Asia Sdn. Bhd. is allowed to be prepared in FY2019 under the Malaysia law.

Acquisition of a subsidiary, Starke Singapore Pte. Ltd. ("Starke Singapore")

During the financial year ended 31 December 2018, the Company completed the acquisition of a 70% equity interest in Starke Singapore for a cash consideration of S$7,076,000.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of the acquired subsidiary's identifiable net assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 Investments in Subsidiaries (cont'd)

Acquisition of a subsidiary, Starke Singapore Pte. Ltd. ("Starke Singapore") (cont'd)

Assets acquired and liabilities assumed at the date of acquisition were as follows:

	2018 S$'000
Property, Plant and Equipment	4,591
Inventories	7,960
Trade and other receivables	2,110
Cash and bank deposits	2,690
Trade and other payables	(1,285)
Tax payable	(479)
Deferred tax	(415)
Amount due to directors	(2,806)
Total identifiable net assets at fair value	12,366
Add: Non-controlling interests	(3,710)
	8,656
Less: Consideration paid in cash	(7,076)
Gain on acquisition of a subsidiary	1,580

Gain on acquisition of a subsidiary

A gain of S$1,580,000 was recognised in the consolidated income statement arising from the acquisition of Starke Singapore because the consideration paid was lower than the fair value of the net identifiable net assets.

Impact of acquisition on the results of the Group

From the date of acquisition on 13 August 2018 to the financial year ended 31 December 2018, Starke Singapore has contributed a total revenue of approximately S$2,751,000 and a net gain for the year of approximately S$683,000 to the Group's results.

Had this business combination been effected at 1 January 2018, the consolidated revenue of the Group would have been approximately S$132,742,000 and the profit for the year would have been S$42,977,000. The directors of the Group consider these "pro-forma" numbers to represent an approximate measure of the performance of the Group on an annualised basis and to provide a reference point for comparison in future periods.

The Group has two non wholly-owned subsidiaries, Kalf Engineering Pte. Ltd. and Starke Singapore as at 31 December 2018 and the non-controlling interest of these subsidiaries are not material to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 Investments in Subsidiaries (cont'd)

Acquisition of a subsidiary, Kalf Engineering Pte. Ltd. ("Kalf Engineering")

During the financial year ended 31 December 2017, the Company completed the acquisition of a 51% equity interest in Kalf Engineering for a cash consideration of S$990,000.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of the acquired subsidiary's identifiable net liabilities.

Assets acquired and liabilities assumed at the date of acquisition were as follows:

	2017 S$'000
Plant and equipment	3
Inventories	802
Trade and other receivables	2,366
Cash and bank deposits	124
Trade and other payables	(2,389)
Amount due to shareholding company	(3,118)
Total identifiable net liabilities at fair value	(2,212)
Add: Non-controlling interests	1,084
	(1,128)
Less: Consideration paid in cash	(990)
Goodwill arising on acquisition (Note 21)	(2,118)

Goodwill arising on acquisition of a subsidiary

Goodwill arose in the acquisition of Kalf Engineering because the consideration paid included amounts in relation to the benefit of expected synergy, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill is not expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

From the date of acquisition on 1 April 2017 to the financial year ended 31 December 2017, Kalf Engineering has contributed a total revenue of approximately S$1,329,000 and a net loss for the year of approximately S$741,000 to the Group's results.

Had this business combination been effected at 1 January 2017, the consolidated revenue of the Group would have been approximately S$165,874,000 and the profit for the year would have been S$51,999,000. Kalf generated a profit from 1 January 2017 to 31 March 2017. The directors of the Group consider these "pro-forma" numbers to represent an approximate measure of the performance of the Group on an annualised basis and to provide a reference point for comparison in future periods.

The Group has only one non wholly-owned subsidiary, Kalf Engineering as at 31 December 2017 and the non-controlling interest of this subsidiary is not material to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17 Property, Plant and Equipment

	Freehold land S$'000	Freehold buildings S$'000	Leasehold property S$'000	Plant and equipment S$'000	Total S$'000
Group					
31 Dec 2018					
Cost					
At the beginning of the year	**2,846**	**15,804**	**7,082**	**138,267**	**163,999**
Effect of foreign currency exchange differences	**(6)**	**(30)**	**–**	**(198)**	**(234)**
Additions	**–**	**–**	**10**	**15,675**	**15,685**
Acquisition of a subsidiary	**–**	**–**	**4,257**	**334**	**4,591**
Disposals/Write-off	**–**	**–**	**–**	**(2,161)**	**(2,161)**
At the end of the year	**2,840**	**15,774**	**11,349**	**151,917**	**181,880**
Accumulated depreciation					
At the beginning of the year	**–**	**2,116**	**2,051**	**121,050**	**125,217**
Effect of foreign currency exchange differences	**–**	**(9)**	**–**	**(69)**	**(78)**
Depreciation for the year	**–**	**316**	**273**	**4,930**	**5,519**
Disposals/Write-off	**–**	**–**	**–**	**(2,146)**	**(2,146)**
At the end of the year	**–**	**2,423**	**2,324**	**123,765**	**128,512**
Net book value					
At the end of the year	**2,840**	**13,351**	**9,025**	**28,152**	**53,368**
31 Dec 2017					
Cost					
At the beginning of the year	2,783	15,457	7,082	127,425	152,747
Effect of foreign currency exchange differences	63	347	–	727	1,137
Additions	–	–	–	10,564	10,564
Acquisition of a subsidiary	–	–	–	3	3
Disposals/Write-off	–	–	–	(452)	(452)
At the end of the year	2,846	15,804	7,082	138,267	163,999
Accumulated depreciation					
At the beginning of the year	–	1,768	1,925	117,350	121,043
Effect of foreign currency exchange differences	–	45	–	406	451
Depreciation for the year	–	303	126	3,745	4,174
Disposals/Write-off	–	–	–	(451)	(451)
At the end of the year	–	2,116	2,051	121,050	125,217
Net book value					
At the end of the year	2,846	13,688	5,031	17,217	38,782

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17 Property, Plant and Equipment (cont'd)

	Freehold land S$'000	Freehold buildings S$'000	Leasehold property S$'000	Plant and equipment S$'000	Total S$'000
Group (cont'd)					
1 Jan 2017					
Cost					
At the beginning of the year	2,845	15,799	7,082	125,570	151,296
Effect of foreign currency exchange differences	(62)	(342)	–	(607)	(1,011)
Additions	–	–	–	2,625	2,625
Disposals/Write-off	–	–	–	(163)	(163)
At the end of the year	2,783	15,457	7,082	127,425	152,747
Accumulated depreciation					
At the beginning of the year	–	1,498	1,799	113,192	116,489
Effect of foreign currency exchange differences	–	(39)	–	(506)	(545)
Depreciation for the year	–	309	126	4,807	5,242
Disposals/Write-off	–	–	–	(143)	(143)
At the end of the year	–	1,768	1,925	117,350	121,043
Net book value					
At the end of the year	2,783	13,689	5,157	10,075	31,704

The details of the freehold buildings and leasehold property held by the Group are as follows:

Description and location	Tenure
1058, Jalan Kebun Baru, Juru and Lot 20020, Pecahan Lot 702 Mukim 13 14100 Simpang Ampat Seberang Perai Tengah Pulau Pinang, Malaysia	Freehold
23 Changi North Crescent Singapore 499616	30 years lease from 16 August 1997, with an option to extend for a further 30 years
34 Gul Lane Singapore 629428	30 years lease from 1 October 2000 and ending 30 September 2030
1 Tuas South Tuas South Ave 6 #06-15, The Westcom Singapore 637021	60 years lease from 9 July 1996 and ending 8 July 2056

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For the financial year ended 31 December 2018

18 Investment Property

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Cost			
At the beginning of the year	**5,045**	4,942	4,877
Additions	**12**	103	65
At the end of the year	**5,057**	5,045	4,942
Accumulated depreciation			
At the beginning of the year	**2,805**	2,658	2,466
Depreciation for the year	**152**	147	192
At the end of the year	**2,957**	2,805	2,658
Net book value			
At the end of the year	**2,100**	2,240	2,284

Investment property relates to the leasehold property at 25 Changi North Crescent, Singapore 499617 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 Nil (2017: Nil) and S$230,576 (2017: S$235,206) respectively, for the financial year ended 31 December 2018.

The tenure of the leasehold property is a 30-year lease from 1 February 2003.

The Group did not generate rental income for the financial year ended 31 December 2018 in relation to the above property as the previous tenant has vacated the space and management is seeking for new business opportunities.

The estimated fair value of the leasehold property amounted to S$12,000,000 (2017: S$12,000,000), classified under Level 2 of the fair value hierarchy (as defined in Note 32(b)(i)), as determined on the basis of management's review of similar properties in the market as at 31 December 2018. The key input applied in the estimation of the investment property is unit price per square foot. There has been no change to the valuation technique during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18 Investment Property (cont'd)

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2018, 31 December 2017 and 1 January 2017 are as follows:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
31 Dec 2018				
Leasehold property	**–**	**12,000**	**–**	**12,000**
31 Dec 2017				
Leasehold property	–	12,000	–	12,000
1 Jan 2017				
Leasehold property	–	12,000	–	12,000

19 Investments in Associate

	Group			Company		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Unquoted equity shares, at cost	**90**	90	48	**–**	–	–
Impairment loss on investment in associate	**(90)**	(90)	(48)	**–**	–	–
	–	–	–	**–**	–	–
Quoted equity shares, at cost	**28,976**	–	–	**28,976**	–	–
Share of profit of associate	**525**	–	–	**–**	–	–
	29,501	–	–	**28,976**	–	–
	29,501	–	–	**28,976**	–	–

During the financial year ended 31 December 2018, the Group and the Company acquired equity stake in JEP Holdings Limited ("JEP"), a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited, for S$28,976,000. As at 31 December 2018, the Group and the Company held 28.13% shareholding in JEP and the Group and the Company have significant influence over JEP.

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For the financial year ended 31 December 2018

19 Investments in Associates (cont'd)

The details of the investments in associates as at 31 December 2018 are as follows:

Name of associate, place of business and incorporation	Principal activities	Effective percentage of equity interest held by the Group			Cost of investment		
		31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Held by Ultimate Machining Solutions (M) Sdn.Bhd.							
Allstar Manufacturing Sdn. Bhd. Malaysia	Inactive	**10**	10	10	**90**	90	48
Held by UMS Holdings Limited							
JEP Holdings Limited Singapore	Investment holding and the provision of management services to its subsidiaries	**28.13**	–	–	**28,976**	–	–
					29,066	90	48

As at 31 December 2018, the fair value of the Group's interest in JEP Holdings Limited, which is listed on the Singapore Exchange Securities Trading Limited, was S$16.16 million (2017: Nil). The fair value is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's interest was S$29.50 million (2017: Nil). Management has assessed the investment in associate based on value in use approach and no impairment was recognised during the financial year ended 31 December 2018.

The summarised financial information of the significant associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Allstar Manufacturing Sdn. Bhd.			
Current assets	**606**	1,316	403
Non-current assets	**4,455**	5,284	2,741
Current liabilities	**(5,331)**	(6,645)	(2,735)
Non-current liabilities	**(434)**	(1,499)	(1,163)
Net liabilities	**(704)**	(1,544)	(754)
Revenue	**723**	1,624	
Profit/(loss) for the year	**840**	(1,203)	

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For the financial year ended 31 December 2018

19 Investments in Associates (cont'd)

	31 Dec 2018 S$'000
JEP Holdings Limited	
Current assets	42,995
Non-current assets	69,145
Current liabilities	(28,595)
Non-current liabilities	(31,418)
Net assets	52,127
Revenue	85,865
Profit for the year	2,295

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associates, is as follows:

	Allstar Manufacturing Sdn. Bhd.			JEP Holdings Limited		
	31 Dec		1 Jan	31 Dec		1 Jan
	2018 S$'000	2017 S$'000	2017 S$'000	2018 S$'000	2017 S$'000	2017 S$'000
Net assets	-	–	–	52,127	–	–
Group's equity interest	10%	10%	10%	28.13%	–	–
Group's share of net assets	-	–	–	14,663	–	–
Goodwill	-	–	–	14,838	–	–
Carrying value	-	–	–	29,501	–	–

The Group has recognised the share of profits of the associate (JEP Holdings Limited) amounting to S$525,000 (2017: Nil). However, the Group has not recognised its share of profits of the associate (Allstar Manufacturing Sdn. Bhd.) amounting to S$84,000 because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses. As at 31 December 2018, the cumulative unrecognised losses amounted to S$98,000 (2017: S$182,000).

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20 Loan to Associate

	Group			Company		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Loan to associate	**3,345**	3,296	828	**3,345**	3,296	828

The loan to the associate is non-trade in nature, interest-bearing at between 3% and 5% per annum and with a repayment term of 5 years, to be repaid in 2021.

The loan to the associate is secured by the following:

(a) a specific debenture by way of a fixed and floating charge over all present and future equipment/ machineries of the Associate;

(b) a power of attorney in relation to the debenture;

(c) a subscription option agreement in respect of the shares of the Associate;

(d) joint and several guarantees given by the other shareholders of the Associate, which include the pledge of the other shareholders' shareholding interests in other business entities; and

(e) a specific debenture and power of attorney by a related party of the Associate over certain equipment and machineries.

During the financial year ended 31 December 2018, the Group entered into a settlement agreement with the other shareholders of the Associate to transfer the remaining 90% shareholding of the Associate to the Group. This transfer is expected to take place on or after 31 December 2019.

The Group's and the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount of the loan to associate as presented on the balance sheets.

The net book value of the equipment and machineries amounted to S$4.45 million (RM13.5 million) as at 31 December 2018, which approximates the fair value.

21 Goodwill

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Goodwill arising on consolidation	**82,201**	82,201	80,083

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21 Goodwill (cont'd)

(a) Allocation of goodwill to cash-generating units

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the following cash-generating units ("CGUs"):

- Welding – United States of America (Welding-USA)
- Welding – Singapore (Welding-SG)
- Semiconductor
- Water treatment system

The goodwill arising on consolidation relates to the excess of the Group's share of net identifiable assets acquired in the following CGUs as set out below:

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Welding - USA	**1,586**	1,586	1,586
Welding - SG	**17,795**	17,795	17,795
Semiconductor	**60,702**	60,702	60,702
Water treatment system	**2,118**	2,118	–
At cost	**82,201**	82,201	80,083

There was no significant exchange differences on translation of goodwill at the end of reporting period.

(b) Impairment testing of goodwill

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections, budgeted gross margins, and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	31 Dec 2018	31 Dec 2017	1 Jan 2017
Gross margin	**22% - 62%**	28% - 53%	42% - 54%
Long term growth rate used for terminal value	**-**	–	–
Pre-tax discount rates	**12.9% - 14.8%**	10.6% - 12.3%	5.7%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21 Goodwill (cont'd)

(b) Impairment testing of goodwill (cont'd)

Further information on the significant CGUs are as follows:

	Semiconductor			Welding - SG		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
Gross margin	**59%**	53%	54%	**41%**	39%	50%
Long term growth rate used for terminal value	**-**	–	–	**-**	–	–
Pre-tax discount rate	**14.8%**	10.6%	5.7%	**14.8%**	10.6%	5.7%

The budgeted gross margin is based on past performance and expectations of market developments. The pre-tax discount rates reflect specific risks relating to the relevant segments.

These assumptions were used for the analysis of the CGU. Management recognises the speed of technological change and the possibility of new entrants that 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.

Based on the management's assessment of the recoverable amounts of the CGUs, no impairment of goodwill was required as at 31 December 2018.

(c) Sensitivity analysis

Management considered that any reasonable possible changes in the above key assumptions applied are not likely to materially cause the recoverable amounts of the CGUs to be lower than their respective carrying amounts.

22 Borrowings and Loan from Related Parties

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Unsecured			
Short term bank loan - current (a)	**20,295**	19,001	249
Loans from related parties			
- Current (b)	**1,403**	–	–
- Non-current (c)	**3,419**	3,158	–
	4,822	3,158	–
	25,117	22,159	249

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22 Borrowings and Loan from Related Parties (cont'd)

(a) The unsecured bank loan bears fixed interest at 0.95% - 2.40% (2017: 1.10% - 1.25%) per annum and with a maturity period of less than 35 days.

(b) The loan from related parties bear interest at 2.50% (2017: Nil) per annum and relates to an amount owing by a subsidiary to a director and a former director and repayable in the next 12 months.

(c) The loan from related parties bear interest at 10% per annum (2017: 10%) and relates to an amount owing by a subsidiary to entities controlled by Mr Luong Andy and is classified as non-current liabilities as it is repayable only when the below conditions are met:

   (i) The subsidiary becomes profitable and is in a positive net asset position;

   (ii) The board of directors of the Company approves the repayment after ascertaining the working capital sufficiency of the subsidiary at the time of repayment; and

   (iii) Subject to points (i) and (ii) above being met, up to 50% of annual profits generated or cash generated from operations, whichever is lower, can be used to pay down the loan from related parties.

The undiscounted contractual cash flows of the loan from related parties amounted to S$6,909,000 (2017: S$5,086,000).

23 Trade and Other Payables

	Group			Company		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Trade payables:						
Third parties	**4,440**	7,139	11,048	**-**	–	–
Other payables:						
A subsidiary	**-**	–	–	**34,559**	91	3,971
A director of the Company	**559**	549	–	**-**	–	–
Third parties	**863**	1,071	751	**431**	529	242
Accrued operating expenses	**7,855**	9,074	4,594	**3,765**	4,955	1,854
Employees and rental deposits	**139**	137	159	**-**	–	–
Contract liabilities	**267**	107	11	**-**	–	–
	9,683	10,938	5,515	**38,755**	5,575	6,067
Trade and other payables	**14,123**	18,077	16,563	**38,755**	5,575	6,067

The average credit period generally taken to settle trade payables is approximately 60 days (2017: 60 days).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23 Trade and Other Payables (cont'd)

The amounts payable to a subsidiary and a director of the Company are non-trade, unsecured, interest-free and repayable on demand.

Contract liabilities mainly represent amounts of consideration received for the customised equipment billed in advance to the Group's customers.

24 Long-Term Provision

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Provision for dismantling and removing the item and restoring the site relating to leasehold and investment properties	**405**	405	433
Balance at the beginning of the year	**405**	433	443
Less: Unwinding discount of estimated liability (Note 9)	**–**	(28)	(10)
Balance at the end of the year	**405**	405	433

The Group makes full provision for the future cost of dismantling and removing the items and restoring the site relating to leasehold and investment properties on a discounted basis. The long-term provision represents the present value of the restoration costs relating to the two factory premises held by the Group.

As per the lease agreements, the Group is required to bear the cost of dismantling and removing the items and restoring the factory premises to its original state at the end of the lease period in year 2027 for 23 Changi North Crescent and 2033 for 25 Changi North Crescent.

25 Share Capital

	2018		2017	
	No. of ordinary shares	S$'000	No. of ordinary shares	S$'000
Group and Company				
Issued and fully paid:				
At the beginning of the year	**536,429,579**	**136,623**	429,143,947	136,623
Issuance of bonus shares	**–**	**–**	107,285,632	–
At the beginning of the year	**536,429,579**	**136,623**	536,429,579	136,623

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26 Reserves

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Foreign exchange translation reserve	**10,683**	10,560	10,963

Movement in reserves for the Group is set out in the consolidated statement of changes in equity.

The foreign exchange 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.

27 Dividends

	Group	
	2018 S$'000	2017 S$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
- Special exempt (one-tier) dividend for 2017: 1 cent (for 2016: 1 cent) per share	**5,364**	4,291
- Final exempt (one-tier) dividend for 2017: 2 cents (for 2016: 2 cents) per share	**10,728**	8,583
- Interim exempt (one-tier) dividend for 2018: 2.5 cents (for 2017: 3 cents) per share	**13,412**	13,948
	29,504	26,822
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the Company's Annual General Meeting:		
- Special exempt (one-tier) dividend for 2018: 1 cent (for 2017: 1 cent) per share	**-**	5,364
- Final exempt (one-tier) dividend for 2018: 2 cents (for 2017: 2 cents) per share	**10,728**	10,728
	10,728	16,092

Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 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.

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

	Group	
	2018	**2017**
	S$'000	**S$'000**
Transactions with related parties		
Sale of goods	**(145)**	(273)
Purchase of goods	**693**	–
Rental income	**(158)**	(382)
Interest income	**(29)**	(138)
Progress payment for plant and equipment	**6**	–
Gain on disposal of plant and equipment	**-**	(1,842)
Interest expenses	**290**	180
Consultancy fees	**1,607**	1,122

Related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 Related Party Transactions (cont'd)

Key Management Compensation

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 below 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	
	2018 S$'000	2017 S$'000
Salaries, bonuses and related benefits	**5,612**	3,412
Defined contribution plans	**89**	88
Fees to directors	**235**	185
	5,936	3,685

	Group	
	2018 S$'000	2017 S$'000
Comprised amounts paid to:		
Directors of the Company*	**4,969**	2,824
Other key management personnel*	**967**	861
	5,936	3,685

* The amounts disclosed represent actual compensation received by key management personnel during the financial year.

29 Capital Commitments

Capital expenditure contracted for at the end of reporting period but not recognised in the financial statements is as follows:

	Group	
	2018 S$'000	2017 S$'000
Authorised and contracted but not provided for	**125**	4,514

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 Operating Lease Commitments

Where the Group is a lessee

At the end of reporting period, the future minimum lease payments under non-cancellable operating leases for factory premises with terms of more than one year of the Group are as follows:

	Group	
	2018	2017
	S$'000	S$'000
Within 1 year	**918**	714
Within 2 to 5 years	**1,481**	1,418
After 5 years	**1,827**	1,940
	4,226	4,072

The leases have average tenure of 30 years. The lease at 23 Changi North Crescent, Singapore 499616 has an option to extend for a further 30 years.

The Company does not have any operating lease commitments as at 31 December 2018 and 2017.

31 Financial Information by Segments

The Group's businesses are organised into two main business segments, namely semiconductor and others. The semiconductor segment provides precision machining components and equipment modules for semiconductor equipment manufacturers. The others segment mainly provides shipment of water disinfection systems, supplies base components to oil and gas original manufacturers and trading of non-ferrous metal alloys.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements.

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. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial Information by Segments (cont'd)

Segment information about these businesses is presented below:

Business Segments

	Semiconductor			Others			Total		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2018 S$'000	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Group									
Sales to external parties	**123,015**	160,416	101,409	**4,924**	2,082	2,795	**127,939**	162,498	104,204
Segment results	**44,670**	55,950	24,027	**836**	(712)	710	**45,506**	55,238	24,737
Material non-cash items include:									
Depreciation expense	**5,385**	4,303	5,324	**286**	18	110	**5,671**	4,321	5,434
Gain on acquisition of a subsidiary	**-**	-	-	**(1,580)**	-	-	**(1,580)**	-	-
Inventories written off	**61**	225	780	**-**	-	-	**61**	225	780
(Reversal of)/allowance for inventories obsolescence - net	**(38)**	(910)	3,662	**4**	-	-	**(34)**	(910)	3,662
Impairment of goodwill	**-**	-	1,600	**-**	-	-	**-**	-	1,600
Total assets	**480,166**	411,572	354,419	**20,250**	13,499	79	**500,416**	425,071	354,498
Total assets include:									
Additions to property, plant and equipment	**15,646**	10,471	2,625	**39**	93	-	**15,685**	10,564	2,625
Improvement to investment property	**12**	103	65	**-**	-	-	**12**	103	65
Total liabilities	**119,046**	76,204	38,190	**13,165**	5,308	-	**132,211**	81,512	38,190

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial Information by Segments (cont'd)

Business Segments (cont'd)

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

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Total assets for reportable segments	**500,416**	425,071	354,498
Elimination of inter-segment assets	**(225,388)**	(165,917)	(144,310)
Total assets	**275,028**	259,154	210,188

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

	Group		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Total liabilities for reportable segments	**132,211**	81,512	38,190
Elimination of inter-segment liabilities	**(87,644)**	(36,159)	(17,492)
Total liabilities	**44,567**	45,353	20,698

Geographical Segments

The Group operates in four principal geographical areas - Singapore (country of domicile), Malaysia, Taiwan and the United States of America ("USA"). Other key geographical areas include People's Republic of China, Poland and South Korea. Sales to external parties in the individual country grouped under "others" has not contributed more than 5% of the total sales of the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial Information by Segments (cont'd)

Geographical Segments (cont'd)

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Singapore			USA			Taiwan			Malaysia			Others			Total		
	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group																		
Total sales to external parties	**70,230**	111,871	67,188	**24,483**	17,352	10,783	**26,720**	23,615	-	**4,488**	6,010	1,959	**2,018**	3,650	24,274	**127,939**	162,498	104,204
Other geographical information:																		
Non-current assets:																		
Property, plant and equipment	**18,319**	9,377	8,732	**98**	105	102	**-**	-	-	**34,951**	29,300	22,870	**-**	-	-	**53,368**	38,782	31,704
Investment property	**2,100**	2,240	2,284	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**2,100**	2,240	2,284
Investments in associates	**29,501**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**29,501**	-	-
Goodwill	**80,615**	80,615	78,497	**1,586**	1,586	1,586	**-**	-	-	**-**	-	-	**-**	-	-	**82,201**	82,201	80,083
	130,535	92,232	89,513	**1,684**	1,691	1,688	**-**	-	-	**34,951**	29,300	22,870	**-**	-	-	**167,170**	123,223	114,071

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 Financial Information by Segments (cont'd)

Geographical Segments (cont'd)

Information about major customers

Included in revenue arising from semiconductor segment of S$123.0 million (2017: S$160.4 million) is revenue of more than 50% (2017: more than 50%) which arose from sales to the Group's largest customer.

32 Financial Instruments

(a) Financial Risk Management Policies and Objectives

The Group and the Company are 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. Management reviews and monitors policies for managing each of these risks.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Capital risk

When managing capital, the objectives of the Group and the Company are: (a) to safeguard the Group's and the Company'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 and Company's overall strategy remains unchanged from 2017.

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

The Group and the Company monitor capital on the basis of net 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 liabilities and long-term provision) less cash and bank balances. The capital comprises all components of equity (i.e. share capital, reserves and retained earnings).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(i) Capital risk (cont'd)

	Group			Company		
	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000	31 Dec 2018 S$'000	31 Dec 2017 S$'000	1 Jan 2017 S$'000
Net debt/(cash)	**20,314**	(19,335)	(25,808)	**38,574**	4,770	5,738
Total equity	**230,461**	213,801	189,490	**205,272**	202,001	191,116
Debt-to-adjusted capital ratio	**0.088**	N.M.	N.M.	**0.188**	0.024	0.030

N.M.: Not meaningful

The Group and the Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group and the Company should there be a counterparty default on its contractual obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties and/or obtain sufficient security where appropriate to mitigate credit risk. The Group mainly transacts with high credit quality counterparties of at least an "A" rating by external credit rating companies, where the counterparties have AAA or AA credit ratings, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. An ongoing credit evaluation is performed of the receivables' financial conditions.

The carrying amount of cash and bank balances, trade receivables and other current assets, loan to a subsidiary and loan to associate represents the Group's maximum exposure to credit risk. Cash and bank balances are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains a loss allowance where necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

As disclosed in Note 14 to the consolidated financial statements, the Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and numbers of days past due. The expected credit losses on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Credit risk grading guideline

Management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 30 days past due).	Lifetime ECL
iii. Non-performing	There is evidence indicating that the asset is credit-impaired (i.e. interest and/or principal repayments are more than 90 days past due).	Lifetime ECL
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

The Group's provision for loss allowance is based on past due as the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

Group	Current* S$'000	Past due: Within 30 days* S$'000	Past due: 30 to 60 days** S$'000	Past due: 60 to 90 days** S$'000	Past due: More than 90 days^^ S$'000	Total S$'000
Semiconductor						
Expected loss rate	0.06%	0.06%	0.25%	0.25%	0.62%	
Trade receivables	9,092	141	83	33	133	9,482
Allowance for impairment	–^	–^	–^	–^	–^	–
Other segments						
Expected loss rate	0.45%	0.45%	0.74%	0.74%	83%	
Trade receivables	1,266	841	73	2	108	2,290
Allowance for impairment	–^	–^	–^	–^	(90)	(90)

* rated as performing
** rated as under-performing
^^ rated as non-performing

For debts past due 30 days, management has considered forward-looking information and determined that there is no significant increase in credit risk since initial recognition. Management has access to historical evidence that demonstrates that there is no correlation between significant increase in the risk of a default occurring and financial assets on which payments are more than 30 days past due.

^ The expected credit loss is not material.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

Management has applied the expected loss rates of between 0.06% and 0.62% to the trade receivables for assessment of lifetime expected credit losses. The expected credit loss is not material.

The Group's credit risk exposure in relation to other receivables (including loan to associate) under SFRS(I) 9 as at 31 December 2018 are set out in the credit risk rating grades as follows:

Group	Internal Credit rating	ECL	Gross Carrying Amount S$'000	Loss Allowance S$'000	Net Carrying Amount S$'000
31 Dec 2018					
Loan to associate	**Non-Performing**	**Lifetime ECL**	**3,345**	**–**	**3,345**
Other receivables and deposits	**Performing**	**12-month ECL**	**2,566**	**(308)**	**2,258**
31 Dec 2017					
Loan to associate	Non-Performing	Lifetime ECL	3,296	–	3,296
Other receivables and deposits	Performing	12-month ECL	1,368	(308)	1,060
1 Jan 2017					
Loan to associate	Non-Performing	Lifetime ECL	828	–	828
Other receivables and deposits	Performing	12-month ECL	1,788	(308)	1,480

Management has assessed other receivables and deposits to have low credit risk as they are not due for payment yet and there has been no significant increase in the risk of default on the receivables since initial recognition. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating that is typically equivalent to the investment grade market convention. Accordingly, the 12-month expected credit loss is not material.

Loan to associate is assessed by management to be non-performing financial asset due to the financial position of the associate as at 31 December 2018. However, the loan to associate is secured. Please refer to Note 20 for more information. As such, the lifetime expected credit loss is not material.

Cash and bank balances, including fixed deposits, are subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

The Company's credit risk exposure in relation to other receivables under SFRS(I) 9 as at 31 December 2018 are set out in the credit risk rating grades as follows:

Company	Internal Credit rating	ECL	Gross Carrying Amount S$'000	Loss Allowance S$'000	Net Carrying Amount S$'000
31 Dec 2018					
Loan to associate	**Non-Performing**	**Lifetime ECL**	**3,345**	**–**	**3,345**
Loan to a subsidiary	**Performing**	**12-month ECL**	**2,322**	**–**	**2,322**
Subsidiaries	**Performing**	**12-month ECL**	**8,718**	**–**	**8,718**
Other receivables and deposits	**Performing**	**12-month ECL**	**314**	**(308)**	**6**
31 Dec 2017					
Loan to associate	Non-Performing	Lifetime ECL	3,296	–	3,296
Subsidiaries	Performing	12-month ECL	10,074	–	10,074
Other receivables and deposits	Performing	12-month ECL	318	(308)	10
1 Jan 2017					
Loan to associate	Non-Performing	Lifetime ECL	828	–	828
Subsidiaries	Performing	12-month ECL	3,579	–	3,579
Related parties	Performing	12-month ECL	17	–	17
Other receivables and deposits	Performing	12-month ECL	316	(308)	8

In determining the ECL, management has taken into account the historical default experience and the financial positions of the subsidiaries and related parties, adjusted for factors that are specific to the subsidiaries and related parties and general economic conditions of the industry in which the subsidiaries and related parties operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for amounts due from subsidiaries and related parties. The above assessment is after taking into account the current financial positions of the entities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

Previous accounting policy for impairment of trade and other receivables

Financial assets that were neither past due nor impaired

Trade and other receivables that were neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and fixed deposits that were neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group's exposure to interest rates arises primarily from interest-earning financial assets and interest-bearing financial liabilities.

The Group is not exposed to any significant interest-bearing financial liabilities as at year end except for bank borrowings and loan from related parties.

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

Group	Interest bearing S$'000	Non-Interest bearing S$'000	Total S$'000
31 Dec 2018			
Financial assets			
Loan to associate	3,345	-	3,345
Trade receivables and other current assets (excluding prepayments)	-	13,940	13,940
Cash and bank balances	17,410	1,516	18,926
	20,755	15,456	36,211
Financial liabilities			
Bank borrowings	20,295	-	20,295
Loans from related parties	4,822	-	4,822
Trade and other payables (excluding contract liabilities)	-	13,856	13,856
	25,117	13,856	38,973

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(iii) Interest rate risk (cont'd)

Group (cont'd)	Interest bearing S$'000	Non-Interest bearing S$'000	Total S$'000
31 Dec 2017			
Financial assets			
Loan to associate	3,296	–	3,296
Trade receivables and other current assets (excluding prepayments)	–	20,262	20,262
Cash and bank balances	56,390	3,181	59,571
	59,686	23,443	83,129
Financial liabilities			
Bank borrowings	19,001	–	19,001
Loan from related parties	3,158	–	3,158
Trade and other payables (excluding contract liabilities)	–	17,970	17,970
	22,159	17,970	40,129
1 Jan 2017			
Financial assets			
Loan to associate	828	–	828
Trade receivables and other current assets (excluding prepayments)	–	19,288	19,288
Cash and bank balances	41,614	1,006	42,620
	42,442	20,294	62,736
Financial liabilities			
Bank borrowings	249	–	249
Trade and other payables (excluding contract liabilities)	–	16,552	16,552
	249	16,552	16,801

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(iii) Interest rate risk (cont'd)

Company	Interest bearing S$'000	Non-Interest bearing S$'000	Total S$'000
31 Dec 2018			
Financial assets			
Loan to associate	**3,345**	**-**	**3,345**
Loan to subsidiary	**2,322**	**-**	**2,322**
Trade receivables and other current assets (excluding prepayments)	**-**	**8,724**	**8,724**
Cash and bank balances	**179**	**2**	**181**
	5,846	**8,726**	**14,572**
Financial liabilities			
Trade and other payables	**-**	**38,755**	**38,755**
31 Dec 2017			
Financial assets			
Loan to associate	3,296	–	3,296
Trade receivables and other current assets (excluding prepayments)	–	10,084	10,084
Cash and bank balances	800	5	805
	4,096	10,089	14,185
Financial liabilities			
Trade and other payables	–	5,575	5,575
1 Jan 2017			
Financial assets			
Loan to associate	828	–	828
Trade receivables and other current assets (excluding prepayments)	–	3,604	3,604
Cash and bank balances	320	9	329
	1,148	3,613	4,761
Financial liabilities			
Trade and other payables	–	6,067	6,067

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(iii) Interest rate risk (cont'd)

A 3% (2017: 3%) increase/(decrease) in the interest rates as at the end of reporting period, with all variables including tax rate being held constant, would not result in a significant impact in the Group's profit after tax.

(iv) Liquidity risk

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 financial 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.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

Group	Carrying amount S$'000	Contractual cash flows S$'000	Within 1 year S$'000	Within 2 to 5 years S$'000
31 Dec 2018				
Bank borrowings	**20,295**	**20,295**	**20,295**	**–**
Loans from related parties	**4,822**	**6,909**	**1,403**	**5,506**
Trade and other payables	**13,856**	**13,856**	**13,856**	**–**
	38,973	**41,060**	**35,554**	**5,506**
31 Dec 2017				
Bank borrowings	19,001	19,001	19,001	–
Loan from related parties	3,158	5,086	–	5,086
Trade and other payables	17,970	17,970	17,970	–
	40,129	42,057	36,971	5,086
1 Jan 2017				
Bank borrowings	249	249	249	–
Trade and other payables	16,552	16,552	16,552	–
	16,801	16,801	16,801	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(iv) Liquidity risk (cont'd)

Company	Carrying amount S$'000	Contractual cash flows S$'000	Within 1 year S$'000	Within 2 to 5 years S$'000
31 Dec 2018				
Trade and other payables	**38,755**	**38,755**	**38,755**	**-**
31 Dec 2017				
Trade and other payables	5,575	5,575	5,575	–
1 Jan 2017				
Trade and other payables	6,067	6,067	6,067	–

(v) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the entities of the Group. The currency giving rise to this risk is primarily the United States Dollar ("USD").

To manage the aforesaid foreign currency risk, the Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which are primarily used for payments of purchases in the same currency denomination.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(v) *Foreign currency risk (cont'd)*

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

Group	Singapore Dollar S$'000	Japanese Yen S$'000	Euro S$'000	Malaysian Ringgit S$'000	United States Dollar S$'000	Chinese Renminbi S$'000	Total S$'000
31 Dec 2018							
Financial assets							
Cash and bank balances	2,638	3	8	3,407	12,735	135	18,926
Loan to associate	–	–	–	2,101	1,244	–	3,345
Trade receivables and other current assets (excluding prepayments)	2,097	–	265	1,673	9,905	–	13,940
	4,735	3	273	7,181	23,884	135	36,211
Financial liabilities							
Bank borrowings	(11,500)	(8,795)	–	–	–	–	(20,295)
Loans from related parties	(3,429)	–	–	–	(1,393)	–	(4,822)
Trade and other payables	(8,938)	–	–	(1,495)	(3,423)	–	(13,856)
	(23,867)	(8,795)	–	(1,495)	(4,816)	–	(38,973)
Net financial (liabilities)/assets	(19,132)	(8,792)	273	5,686	19,068	135	(2,762)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	17,560	–	–	(3,574)	2	–	13,988
Currency exposure	(1,572)	(8,792)	273	2,112	19,070	135	11,226

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(v) Foreign currency risk (cont'd)

Group (cont'd)	Singapore Dollar S$'000	Japanese Yen S$'000	Euro S$'000	Malaysian Ringgit S$'000	United States Dollar S$'000	Chinese Renminbi S$'000	Total S$'000
31 Dec 2017							
Financial assets							
Cash and bank balances	3,344	5	83	2,862	53,274	3	59,571
Loan to associate	–	–	–	2,089	1,207	–	3,296
Trade receivables and other current assets (excluding prepayments)	334	–	–	2,418	17,510	–	20,262
	3,678	5	83	7,369	71,991	3	83,129
Financial liabilities							
Bank borrowings	(17,000)	(2,001)	–	–	–	–	(19,001)
Loan from related parties	(1,885)	–	–	–	(1,273)	–	(3,158)
Trade and other payables	(9,129)	–	(278)	(3,426)	(5,137)	–	(17,970)
	(28,014)	(2,001)	(278)	(3,426)	(6,410)	–	(40,129)
Net financial (liabilities)/assets	(24,336)	(1,996)	(195)	3,943	65,581	3	43,000
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	22,826	–	–	–	(3,845)	–	18,981
Currency exposure	(1,510)	(1,996)	(195)	3,943	61,736	3	61,981

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(v) Foreign currency risk (cont'd)

Group (cont'd)	Singapore Dollar S$'000	Japanese Yen S$'000	Euro S$'000	Malaysian Ringgit S$'000	United States Dollar S$'000	Chinese Renminbi S$'000	Total S$'000
1 Jan 2017							
Financial assets							
Cash and bank balances	12,465	4	–	5,572	24,579	–	42,620
Loan to associate	–	–	–	–	828	–	828
Trade receivables and other current assets (excluding prepayments)	3,093	–	–	496	15,699	–	19,288
	15,558	4	–	6,068	41,106	–	62,736
Financial liabilities							
Bank borrowings	–	(249)	–	–	–	–	(249)
Trade and other payables	(8,405)	–	(202)	(1,767)	(6,178)	–	(16,552)
	(8,405)	(249)	(202)	(1,767)	(6,178)	–	(16,801)
Net financial assets/ (liabilities)	7,153	(245)	(202)	4,301	34,928	–	45,935
Less: Net financial assets denominated in the respective entities' functional currencies	(7,172)	–	–	(4,301)	(2,028)	–	(13,501)
Currency exposure	(19)	(245)	(202)	–	32,900	–	32,434

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(v) Foreign currency risk (cont'd)

Company	Singapore Dollar S$'000	United States Dollar S$'000	Malaysia Ringgit S$'000	Total S$'000
31 Dec 2018				
Financial assets				
Cash and bank balances	**122**	**59**	**–**	**181**
Loan to associate	**–**	**1,244**	**2,101**	**3,345**
Loan to a subsidiary	**–**	**2,322**	**–**	**2,322**
Trade receivables and other current assets (excluding prepayments)	**5,186**	**3,538**	**–**	**8,724**
	5,308	**7,163**	**2,101**	**14,572**
Financial liabilities				
Trade and other payables	**(38,755)**	**–**	**–**	**(38,755)**
Net financial (liabilities)/assets	**(33,447)**	**7,163**	**2,101**	**(24,183)**
Less: Net financial liabilities denominated in the Company's functional currency	**33,447**	**–**	**–**	**33,447**
Currency exposure	**–**	**7,163**	**2,101**	**9,264**
31 Dec 2017				
Financial assets				
Cash and bank balances	265	540	–	805
Loan to associate	–	1,207	2,089	3,296
Trade receivables and other current assets (excluding prepayments)	6,491	3,593	–	10,084
	6,756	5,340	2,089	14,185
Financial liabilities				
Trade and other payables	(5,575)	–	–	(5,575)
Net financial assets	1,181	5,340	2,089	8,610
Less: Net financial assets denominated in the Company's functional currency	(1,181)	–	–	(1,181)
Currency exposure	–	5,340	2,089	7,429

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(v) Foreign currency risk (cont'd)

Company (cont'd)	Singapore Dollar S$'000	United States Dollar S$'000	Malaysia Ringgit S$'000	Total S$'000
1 Jan 2017				
Financial assets				
Cash and bank balances	285	44	–	329
Loan to associate	–	828	–	828
Trade receivables and other current assets (excluding prepayments)	3,365	239	–	3,604
	3,650	1,111	–	4,761
Financial liabilities				
Trade and other payables	(6,067)	–	–	(6,067)
Net financial (liabilities)/assets	(2,417)	1,111	–	(1,306)
Less: Net financial liabilities denominated in the Company's functional currency	2,417	–	–	2,417
Currency exposure	–	1,111	–	1,111

If the following currency strengthen by 10% (2017: 10%) against S$ as at the end of reporting period, with all other variables including tax rate being held constant, the effect arising from the net financial assets position will be as follows:

	Group Increase/(Decrease) profit after tax S$'000	Company Increase/(Decrease) profit after tax S$'000
31 Dec 2018		
United States dollar	**1,583**	**595**
31 Dec 2017		
United States dollar	5,124	443
1 Jan 2017		
United States dollar	2,731	92

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 Financial Instruments (cont'd)

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

(v) Foreign currency risk (cont'd)

A 10% weakening of the above currency against the S$ as at the end of reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(b) Financial Instruments

(i) 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 quoted prices, discounted cash flow models and option pricing models as appropriate.

The Group presents financial assets measured at fair value and classified by level of the following fair value measurement hierarchy:

a. Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

b. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (i.e. derived from prices); and

c. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(ii) Fair Value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amounts of financial assets and financial liabilities with a maturity of less than one year (including cash and bank balances, trade and other receivables, loan to a subsidiary, bank borrowings, trade and other payables and loan from related parties) approximate their fair values due to the relatively short-term maturity of these financial instruments.

The carrying amounts of loan to associate and loan from related parties approximate their fair values as they are subject to interest rates close to market rates of interest for similar arrangement with financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33 Transition to SFRS(I) and Adoption of New Standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2 to the consolidated financial statements, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 3 to the consolidated financial statements have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the consolidated financial statements.

There is no material financial impact on initial application of SFRS(I) 1 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. Accordingly, there were no material adjustments to the Group's consolidated income statement, other comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33 Transition to SFRS(I) and Adoption of New Standards (cont'd)

Adoption of New Standards

(a) SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the consolidated financial statements.

(b) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below.

The Group has applied the following practical expedients as allowed under SFRS(I) 1:

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- For completed contracts that have variable consideration, the Group used the transaction price at the date the contract was completed to restate comparative information.
- For the year ended 31 December 2017, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

There were no material adjustments to the Group's financial statements on adoption of SFRS(I) 15.

(c) SFRS(I) 9

SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33 Transition to SFRS(I) and Adoption of New Standards (cont'd)

Adoption of New Standards (cont'd)

(c) SFRS(I) 9 (cont'd)

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

There were no material adjustments to the Group's financial statements on adoption of SFRS(I) 9.

34 New Standards and Interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2019:

Applicable to 2019 financial statements:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34 New Standards and Interpretations not yet adopted (cont'd)

Applicable to 2019 financial statements: (cont'd)

- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements:

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred:

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group has assessed that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

(a) SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

No significant impact is expected for the Group's and the Company's operating and finance leases.

SUPPLEMENTARY FINANCIAL

Information Disclosures 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 of the SGX Listing Manual)		Aggregate value of all interested person transactions conducted during the financial period under review shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Kalf Engineering Pte Ltd[1]				
Fabrication of water disinfection system	**-**	273	–	–
Interest expenes from Shareholders loan	**235**	180	–	–
Sure Achieve Consultant Pte Ltd[2]				
Consultancy Services charges and commission	**1,607**	1,122	–	–

Notes:

(1) Kalf Engineering Pte Ltd ("Kalf") is a company in which both executive directors Mr. Luong Andy and Mr. Stanley Loh Meng Chong have an interest.

Transaction above is with Full City Investments Ltd in which Mr. Luong Andy is a director and shareholder. The aggregate value of Interested person transactions entered into between Kalf and Full City Investments Ltd for the year ended 31 December 2018 amounted to S$235,000 which represents approximately 0.18% of the Group's latest audited net tangible assets as at 31 December 2017.

Interest expenses transaction is with Full City Investments Ltd in which Mr. Luong Andy is a director and shareholder.

(2) Transaction above is with Sure Achieve Consultant Pte Ltd in which Mrs. Sylvia SY Lee Luong is a director and shareholder. She is the wife of the CEO of the Group, Mr. Luong Andy.

The aggregate value of IPT entered into between the Group and Sure Achieve Consultant Pte Ltd for the period ended 31 December 2018 amounted to S$1,607,000 which represents approximately 1.22% of the Group's latest audited net tangible assets as at 31 December 2017.

SUPPLEMENTARY FINANCIAL

Information Disclosures Required by SGX-ST Listing Manual

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 2018 S$'000	Net Book Value 2017 S$'000
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	**4,905**	5,031
25 Changi North Crescent Changi North Industrial Estate Singapore 499617	Leased	30 years lease commencing 1 February 2003 and ending 31 January 2033	**2,100**	2,240
1058, Jalan Kebun Baru, Juru andLot 20020, Pecahan Lot 702 Mukim 13 S14100 Simpang Ampat Seberang Perai Tengah Pulau Pinang, Malaysia	Office cum factory building	Freehold	**16,191**	16,534
34 Gul Lane Singapore 629428	Office cum factory building	30 years lease commencing 1 October 2000 and ending 30 September 2030	**3,008**	–
1 Tuas South Avenue 6, #06-15 Singapore 637021	Logistic	60 years lease commencing 9 July 1996 and ending 8 July 2056	**1,112**	–

STATISTICS OF SHAREHOLDINGS

As at 20 March 2019

Number of shares	:	536,429,579
Class of Equity Shares	:	Ordinary Shares
Number of Issued Shares	:	536,429,579
Number of Treasury Shares and Subsidiary Shareholdings	:	Nil
Voting Rights	:	One vote for each share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	139	1.82	6,850	0.00
100 - 1,000	236	3.08	137,495	0.03
1,001 - 10,000	2,892	37.76	18,453,461	3.44
10,001 - 1,000,000	4,359	56.92	235,028,767	43.81
1,000,001 AND ABOVE	32	0.42	282,803,006	52.72
TOTAL	**7,658**	**100.00**	**536,429,579**	**100.00**

Based on the information provided to the Company as at 20 March 2019, approximately 79.33% 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	UOB KAY HIAN PRIVATE LIMITED	113,136,137	21.09
2	DBS NOMINEES (PRIVATE) LIMITED	37,846,030	7.06
3	CITIBANK NOMINEES SINGAPORE PTE LTD	28,513,972	5.32
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	18,105,025	3.38
5	PHILLIP SECURITIES PTE LTD	13,800,947	2.57
6	RAFFLES NOMINEES (PTE.) LIMITED	9,474,624	1.77
7	OCBC SECURITIES PRIVATE LIMITED	5,652,060	1.05
8	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	5,331,901	0.99
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,164,386	0.78
10	TAN BOON KHAK HOLDINGS PTE LTD	3,660,200	0.68
11	TAN ENG YAM @TAN ENG ANN	3,246,000	0.61
12	LUONG ANDY	3,056,800	0.57
13	SAN TAI CONSTRUCTION (S) PTE LTD	3,050,000	0.57
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,924,290	0.55
15	HSBC (SINGAPORE) NOMINEES PTE LTD	2,569,775	0.48
16	TAN POH GHEE	2,503,112	0.47
17	YO PENG SIA OR YO YANG LENG	2,470,000	0.46
18	LIM & TAN SECURITIES PTE LTD	2,467,225	0.46
19	YIM WING CHEONG	2,265,000	0.42
20	DBSN SERVICES PTE. LTD.	2,153,650	0.40
	TOTAL	**266,391,134**	**49.68**

STATISTICS OF SHAREHOLDINGS

As at 20 March 2019

STATISTICS OF SHAREHOLDERS

As at 20 March 2019

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	3,056,800	107,323,750	110,380,550	20.58

Notes:

(1) Based on the total issued and paid-up ordinary share capital of the Company comprising 536,429,579 Shares.

(2) Luong Andy is deemed interested in 107,323,750 shares registered in the name of UOB Kay Hian Private Limited.

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
Luong Andy	1 April 2004	-	JEP Holdings Limited (appointed on 22 February 2018)	-
Loh Meng Chong, Stanley	30 June 2010	28 April 2017	-	-
Chay Yiowmin	28 June 2013	26 April 2018	-	Chief Executive Officer of Chay Corporate Advisory Pte. Ltd.
			8I Holdings Limited	-
Gn Jong Yuh, Gwendolyn	5 May 2016	28 April 2017	-	Partner of Shook Lin & Bok LLP
			Libra Group Limited (appointed on 12 December 2017)	-
Datuk Phang Ah Tong	1 October 2017	26 April 2018	-	Non-executive Chairman of Malaysia Automotive Institute (appointed on 1 August 2017)
			JF Technology Bhd (appointed on 1 January 2018)	-
			Inari Amerton Bhd (appointed on 8 February 2018)	-
			Apex Healthcare Berhad (appointed on 24 May 2018)	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of UMS Holdings Limited ("the Company") will be held at Empress Ballroom 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Thursday, 25 April 2019 at 10.00 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **Resolution 1**

2. To approve the payment of a final tax-exempt (one-tier) dividend of 2.0 cents per ordinary share in respect of the financial year ended 31 December 2018. **Resolution 2**

3. To re-elect Mr Andy Luong, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company.

   [Mr Andy Luong will, upon re-election as a Director of the Company, remain as Executive Chairman and Chief Executive Officer of the Company and a member of the Nominating Committee. Please refer to Corporate Governance Report on pages 31 to 33 in the Annual Report for the detailed information required pursuant to Rule 720(6) of the SGX-ST.] **Resolution 3**

4. To re-elect Ms Gn Jong Yuh Gwendolyn, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company.

   [Ms Gn Jong Yuh Gwendolyn will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee, a member of the Audit Committee and the Nominating Committee and will be considered independent for the purpose of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Please refer to Corporate Governance Report on pages 31 to 33 in the Annual Report for the detailed information required pursuant to Rule 720(6) of the SGX-ST.]
   Resolution 4

5. To approve the payment of Directors' fees of up to S$226,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears. (FY2018: S$240,000) **Resolution 5**

6. To re-appoint Moore Stephens LLP as Independent Auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

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

SPECIAL BUSINESS:

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

8. **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 of the Company to:

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

NOTICE OF ANNUAL GENERAL MEETING

(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 and subsidiary holdings) 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 and subsidiary holdings) 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 sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 bonus issue, 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 from the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution 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." **Resolution 7**

[Explanatory Note]

Explanatory Note:

Resolution 7 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 and subsidiary holdings) 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 and subsidiary holdings) in the capital of the Company at the time that Resolution 7 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 7 is passed, and (b) any subsequent consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOK CLOSURE DATE FOR THE PROPOSED FINAL DIVIDEND

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 7 May 2019, for the purpose of determining members' entitlements to the Proposed Final Dividend of 2.0 cents per ordinary share (tax-exempt one-tier) for the financial year ended 31 December 2018.

Duly completed registrable transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 up to the close of business at 5.00 p.m. on 6 May 2019 will be registered before entitlement to the Proposed Final Dividend are determined. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 6 May 2019 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the forthcoming Annual General Meeting of the Company, will be paid on 24 May 2019.

BY ORDER OF THE BOARD

Seah Hai Yang / Teo Chia Hui
Company Secretaries

Singapore
4 April 2019

Notes:

1. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.

2. Where a member (other than a Relevant Intermediary*) appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy in the instrument appointing the proxies.

3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified). Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity.

   (b) A person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

   (c) The Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. A proxy need not be a member of the Company.

5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 23 Changi North Crescent, Singapore 499616 not less than 72 hours before the time set for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS 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)

PROXY FORM
ANNUAL GENERAL MEETING

I/We, ______________________________ NRIC/Passport/Co. Reg. No. ____________________

of ____ (Address)

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

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them, the Chairman of the meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Empress Ballroom 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Thursday, 25 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
	Ordinary Business		
1	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 and the Auditors' Report thereon		
2	To approve a final tax-exempt (one-tier) dividend		
3	To re-elect Mr Andy Luong as Director		
4	To re-elect Ms Gn Jong Yuh Gwendolyn as Director		
5	To approve directors' fees for the year ending 31 December 2019		
6	To re-appoint Auditors and authorise the directors to fix their remuneration		
	Special Business		
7	To authorise the directors to allot and issue shares		

**If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. 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.*

Dated this __________ day of ____________________ 2019

Total number of Shares held

____

Signature(s) of Shareholder(s)
and/or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 81SF of the Securities and Futures Act, Chapter 289 of Singapore), 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, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary[1]), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary[1]) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary[1] may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 23 Changi North Crescent, Singapore 499616 not less than 72 hours before the time appointed for the Meeting.

7. 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2019.

General:

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 Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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[1] A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

UMS GROUP

UMS Holdings Limited

Company Registration No : 200100340R

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