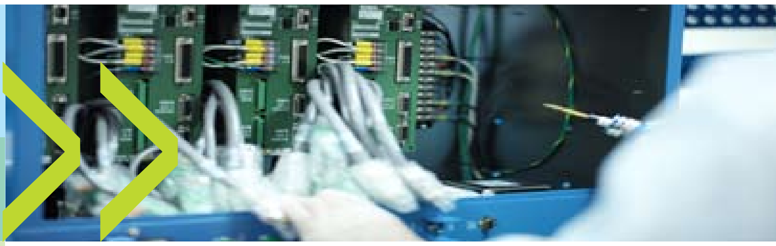
UMS GROUP

UMS Holdings Limited



# Annual Report 2014

# Our Mission

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

# Our Vision

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

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# Corporate Profile


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

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

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

# Chairman and CEO Statement

Soh Gim Teik
Chairman

Luong Andy
Chief Executive Officer

> The Group's business started strongly in 2014 as robust customer demand in the global semiconductor equipment market continued into the new year. However, in the second half of the year, delayed customer spending affected the Group's overall performance in FY2014.

## Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present to you the Annual Report for FY2014. The Group's business started strongly in 2014 as robust customer demand in the global semiconductor equipment market continued into the new year. However, in the second half of the year, delayed customer spending affected the Group's overall performance in FY2014.

However, despite these challenges, the Group remained profitable and cash flow remained healthy. As such, we are able to continue the tradition of rewarding our shareholders every quarter. To round up the year, the Board of Directors is therefore pleased to recommend and propose a final dividend of TWO (2.0) Singapore cents per share and a special dividend of ONE (1.0) Singapore cent per share. Subjected to shareholders' approval, this will bring the total dividends declared and proposed for FY2014 to SIX (6.0) Singapore cents per share.

During the year, the Group had also rewarded its shareholders with bonus shares in appreciation of their continuous support over the years. UMS completed the bonus share issuance of ONE (1) bonus share for every FOUR (4) existing ordinary shares in June 2014.

## Financial and Business Review

On the back of strong global semiconductor equipment demand, UMS' revenue grew 23% to S$34.3 million in 1Q2014, while net profit growth outpaced that of revenue by achieving 63% increase to S$8.6 million over the same period.

Subsequently, business activities started to slow down in 2Q2014, which resulted in the first half's revenue growing at a slower pace of 4% to S$63.0 million and net profit grew 21% to S$15.8 million.

This weaker-than-expected environment carried on into the second half of 2014. Although 3Q2014 was traditionally a slower quarter, this weaker second half was further compounded by an unexpected turn in customer demand in 4Q2014 as numerous global foundries further pushed back their investment programs. As a result, the revenue for FY2014 declined 9% to S$109.8 million and net profit also reduced 14% to S$24.9 million.

On profitability, UMS' net profit margin decline slightly to 23%. On the other hand, the Group's gross material margin improved slightly to 54% in FY2014. The strategic relocation of the Group's major operations to Penang has continued to sustain its cost competiveness, allowing UMS to consistently delivering good quality products for its customers.

## Maintain Strong Cash Generation Ability

The Group has always pride itself on its good cash generation ability. Similarly, UMS was able to continue this track record and even outperform itself in FY2014. Amidst the challenging market conditions in FY2014, the Group generated positive operating cash flow of S$35.6 million and free cash flow of S$28.9 million, which grew 28% and 12% respectively. This had allowed UMS to increase its total annual dividend to S$25.7 million in FY2014 as compared to S$22.3 million a year ago, despite the lower profitability in FY2014.

## Outlook and Strategies

The Group expects the recent 4Q2014 slowdown to be temporary and business activities should pick up in the first half of 2015. Several major research publications are forecasting growth in semiconductor equipment spending in 2015, in spite of the declined demand experienced during the second half of 2014.

Gartner, a worldwide leading information technology research and advisory company, stated that capital equipment spending is expected to increase 6% to US$41.1 billion in 2015.

Additionally, the Group is seeing stronger demands for new components which may translate into a stronger product mix offering for the Group.

Moving forward, UMS will continue to seek opportunities to further strengthen its positioning in the global semiconductor value chain as well as achieving revenue diversification. However, the Group remains selective in this area of development as the management is determined to seek new businesses that are highly profitable with good cash generation.

## A Note of Thanks

We would like to express our heartfelt gratitude to our Board members for their invaluable contributions.

We would also take the opportunity to convey our deepest appreciation to our management and staff for their contributions and commitment to always rise up to challenges.

Our appreciation also extends to our customers, business partners, associates and shareholders for their continued support and belief in us. We are confident that the solid foundation, strong partnerships and competent team will propel the Group to greater heights.

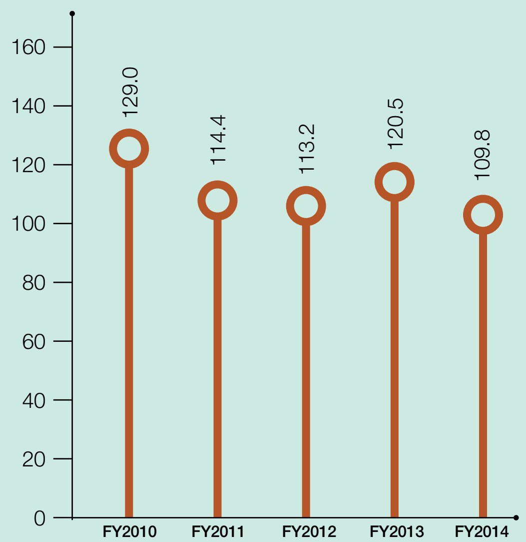
**Soh Gim Teik**
Chairman
UMS Holdings Limited

**Luong Andy**
Chief Executive Officer
UMS Holdings Limited

# Financial Highlights

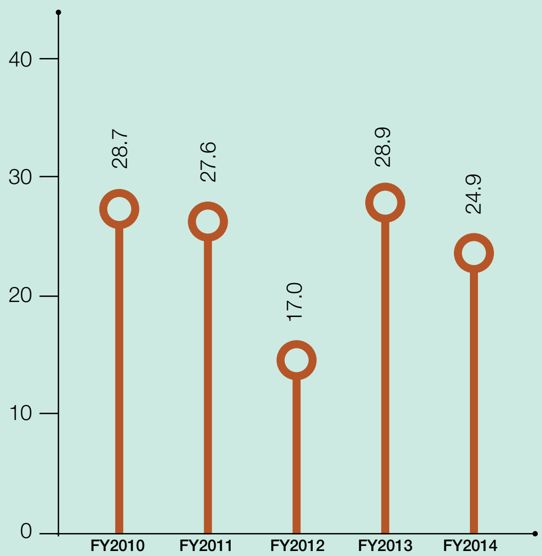
## Revenue

*S$ Million*



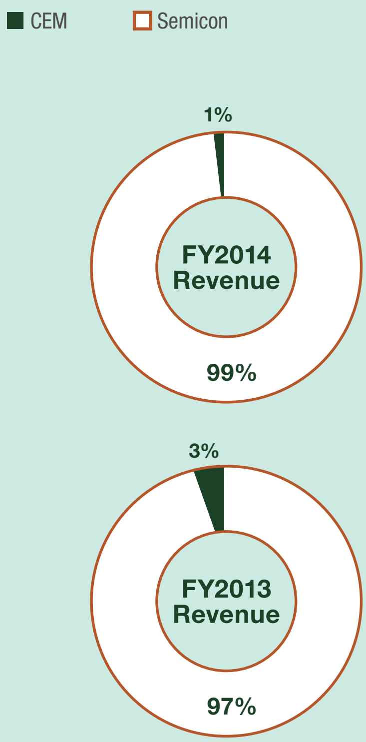

## Net Profit

*S$ Million*

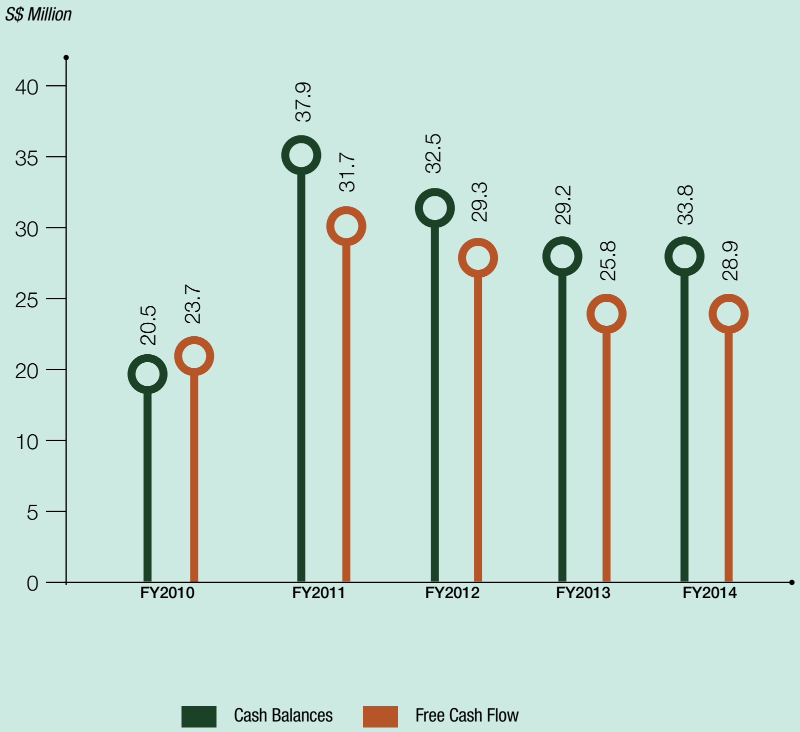


# Financial Highlights

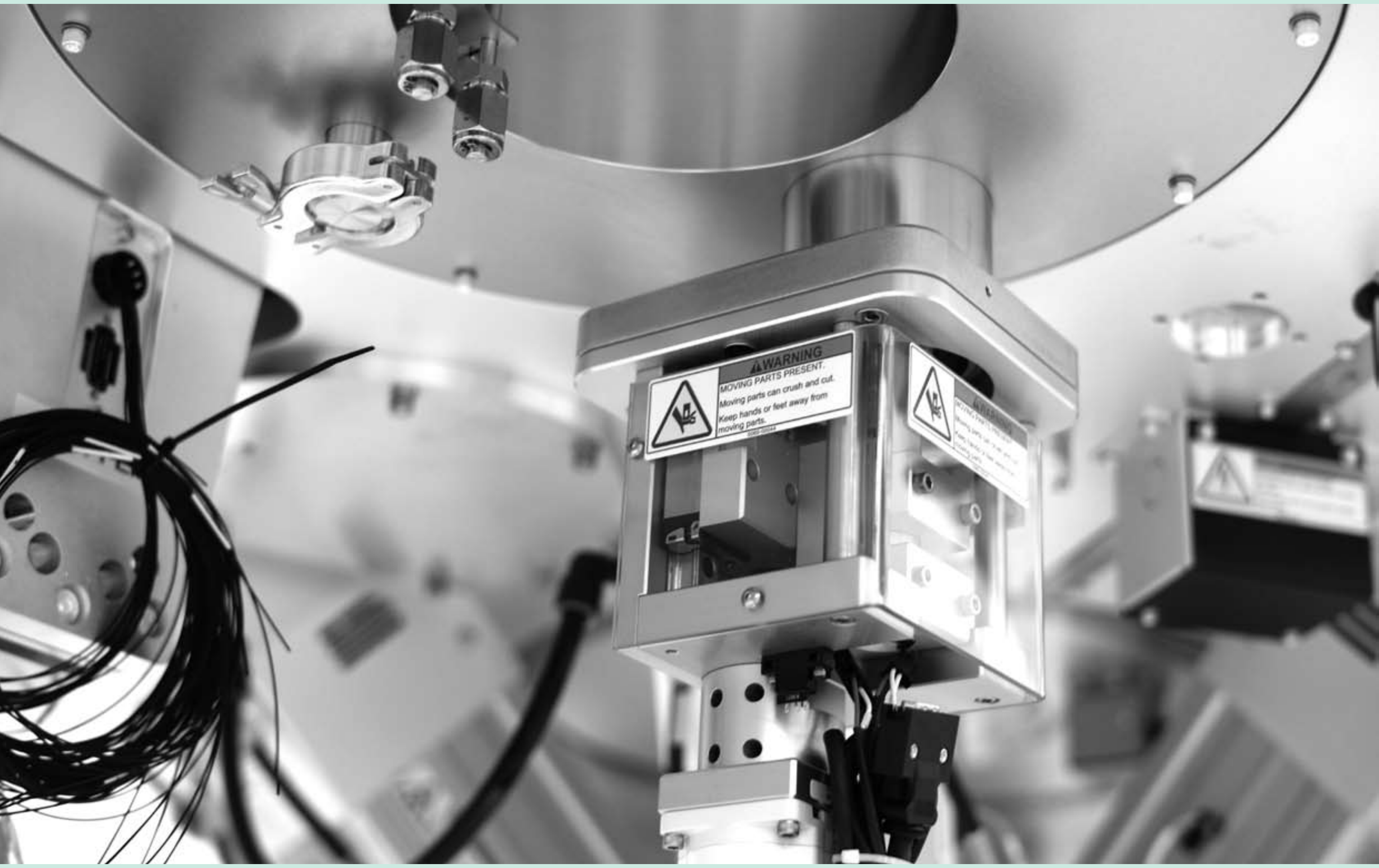
## Segmental Contribution




## Cash Balances & Free Cash Flow



# Operations Review




## Operation Review

FY2014 started off strongly for UMS with global demand for semiconductor equipment staying high and major foundries executed significant investment programs. However, the Group experienced a gradual slowdown in customer orders since 2Q2014. Together with the traditionally slower 3Q2014, an unexpected significant decline in business activity in 4Q2014 resulted in lower revenue in the second half of FY2014. As a result, this weaker-than-expected second half contributed to a lower overall production volume and utilisation rate.

We are observing component sales weightage increasing in the product mix. The Group is currently seeing more demand and business activities for components and this business segment is likely to contribute more significantly to UMS' performance in the near future.

## Cost Control Remains Effective

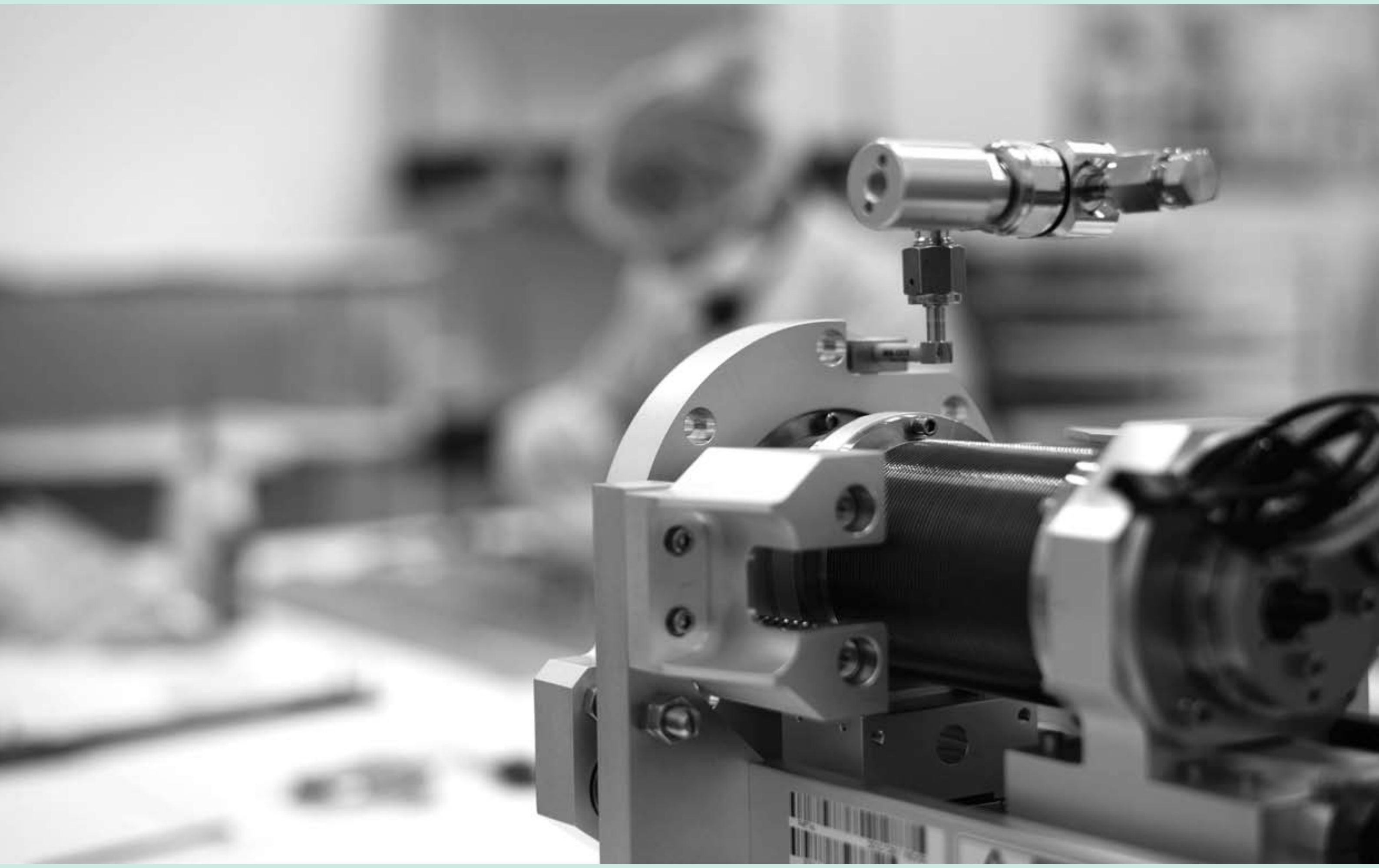
Despite lower business volume, UMS managed to improve its gross material margin to 54% in FY2014. This is a result of the Group's effective control over its cost structure as well as various cost reduction initiatives implemented over the years.

The Group has anticipated the rising operating costs in Singapore years back, and had made plans to relocate most of its manufacturing activities to Penang in order to maintain its low cost competitive edge. The Malaysian facility allows the Group to enjoy lower labour cost and overheads such as utilities and rental expenses.

Concerted efforts to transform UMS into a one-stop integrated manufacturing platform has also helped to lower the Group's subcontracting cost as most of its operations including welding and secondary finishing can be completed in-house.

## Capacity for Expansion

During FY2014, UMS had invested approximately S$6.7 million to replace older machinery and this amount is within its long term capital expenditure budget. The Group do not foresee any major capital expenditure in the next few years as it has ample capacity for growth. Additionally, UMS' current set of equipment and machinery



are still technologically relevant to support the next phase of growth in the global semiconductor equipment market.

Moreover, this ample capacity have equipped UMS with the flexibility to keep up with short term surge in demands from its major customer. Additionally, this will also allow the Group to fulfil its expansion plans into other profitable sectors.

## Moving Forward

The Group will continue to explore more avenues to further reduce its cost structure. In 2015, UMS' lease for the premise located at 25 Changi North Rise, Changi North Industrial Estate will expire. The Group plans to centralise most of its Singapore operations to its neighbouring premise located at 23 Changi North Crescent, Changi North Industrial Estate. This will allow the Group to maximise its factory floor utilisation as well as lowering operational expenses.

In addition, UMS expects business volume to increase in FY2015 as global demand for semiconductor equipment improves. On the same note, many leading research houses have been forecasting growth in 2015. Among them, Gartner, a worldwide leading information technology research and advisory company, stated that capital equipment spending is expected to increase 6% to US$41.1 billion in 2015.

The Group will continue its efforts to seek possible merger and acquisition targets as well as expanding its customer base to achieve revenue diversification.

# Financial Review

## Revenue

The Group's business started strongly in 2014 as wafer fabs and foundries pick up pace on their capital expenditure programs at the beginning of the year. UMS' revenue grew 23% to S$34.3 million in 1Q2014, while net profit growth outpaced that of revenue by achieving 63% increase to S$8.6 million over the same period.

Subsequently, business activities started to slow down in 2Q2014, which resulted in the first half's revenue growing at a slower pace of 4% to S$63.0 million and net profit grew 21% to S$15.8 million.

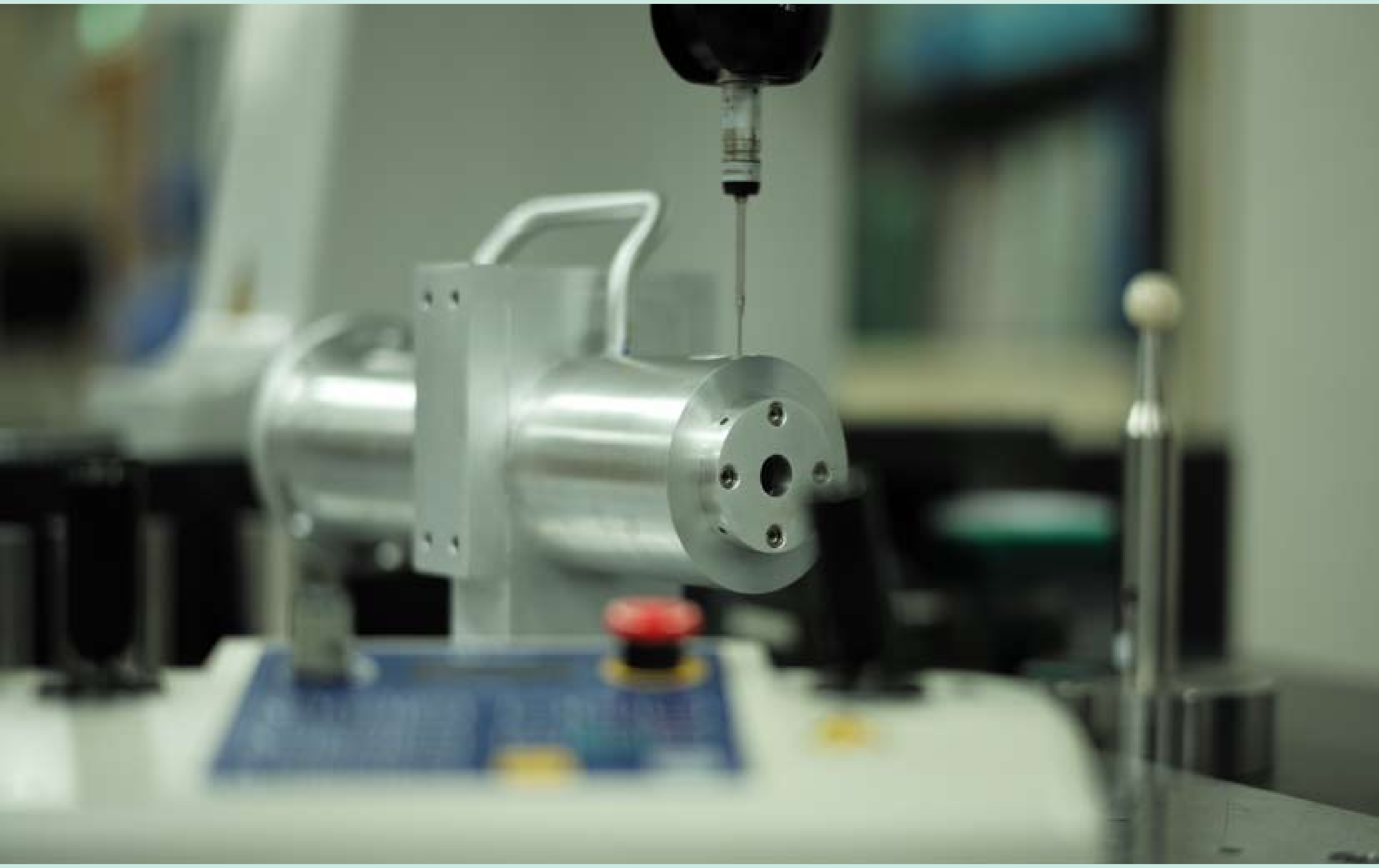
This weaker-than-expected environment carried on into the second half of 2014. Although 3Q2014 was traditionally a slower quarter, this weaker second half was further compounded by an unexpected turn in customer demand in 4Q2014 as numerous global foundries further pushed back their investment programs.

For FY2014, UMS registered a revenue of S$109.8 million, a 9% decline from S$120.5 million in FY2013. According to a Semiconductor Market Forecast Update by SEMI and SEAJ in December 2014[1], the bookings and billings of the semiconductor equipment had been declining since 2Q2014. Similarly, SEMI's book-to-bill ratio[2] had fallen below the 1.00 mark in October and December, indicating global contraction within the semiconductor equipment market.

On a segmental basis, revenue from the Semicon segment decreased 7% from S$117.5 million a year ago to S$109.1 million in FY2014, while revenue in CEM decreased 76% from S$3.0 million to S$0.7 million over the same period.

Geographically, Singapore contributed S$60.4 million, a 12% decline from FY2013 while revenue from the US market decreased 17% to S$22.6 million. Revenue in Others regions grew 8% to S$26.8 million in FY2014.

1 *http://www.design-reuse.com/news/36164/semiconductor-capacity-utilization.html*
2 *http://www.semi.org/en/node/54341*



## Profitability

Despite the weaker revenue experienced in FY2014, gross material margin grew slightly to 54%, highlighting the Group's ability to manage its variable costs.

Other expenses increased marginally from S$12.0 million in FY2013 to S$12.3 million. Employee benefits dropped 7% to S$12.2 million while depreciation expense decreased 2% to S$7.7 million from S$7.9 million a year ago. As a result, UMS' net profit margin declined 1 percentage point to 23% and registered a net profit of S$24.9 million during the year, a decrease of 14% from S$28.9 million in FY2013.

## Cashflow

In spite of a weaker performance in the second half of FY2014 which resulted in lower revenue and net profit compared to a year ago, the Group continued to exhibit strong cash generation capabilities. In FY2014, the Group experienced a 28% increase in positive net cash generated from operating activities, from S$27.8 million in FY2013 to S$35.6 million while free cash flow grew 12% to $28.9 million in FY2014 from S$25.8 million a year ago.

As of 31 December 2014, UMS has no bank borrowings and remains in a strong cash position with cash and cash equivalent standing at S$33.8 million, despite paying out S$24.9 million of dividend during the year.

## Dividend and Bonus Issue

In view of the Group's performance and in recognition of shareholders' support, the Board has proposed a final dividend of 2.0 Singapore cents per ordinary share and special dividend of 1.0 Singapore cent per ordinary share (tax-exempt one-tier) for FY2014. This brings the total dividend proposed and declared to 6.0 Singapore cents per share which includes dividends of 1.0 Singapore cent per ordinary share already paid out in each preceding quarters from 1Q2014, 2Q2014 and 3Q2014.

On top of the dividends, the Group had allotted and issued Bonus Shares in June 2014 on the basis of ONE (1) bonus share for every FOUR (4) existing ordinary shares. This epitomises the strong fundamentals of UMS' business model as well as the management's commitment to reward the shareholders for their continuous support.

# Board of Directors

Soh Gim Teik

## Soh Gim Teik

Chairman

Mr Soh Gim Teik was appointed Non-Executive Chairman and Independent Director of the Company since 2008.

Mr Soh graduated in 1978 with a degree in Bachelor of Accountancy. He had previously practised as a public accountant and also had many years of working experience with a listed entity as a finance director/chief financial officer. He is a member of the Institute of Singapore Chartered Accountants (ICSA) and is currently a Board and Governing Council member of the Singapore Institute of Directors. He has also previously served as a committee member of the Professional Accountants in Business Committee of the International Federation of Accountants.

Mr Soh is currently an independent director in other public companies and also serves in various non-profit and charitable organisations. He was named the CFO of the Year (for mid-cap companies) at the inaugural Singapore Corporate Awards in 2006.

Luong Andy

## Luong Andy

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.

Oh Kean Shen

## Oh Kean Shen

Independent Director

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

A graduate of the South Australian Institute of Technology with a Bachelor Degree in Mechanical Engineering, he is now the Managing Director of Limbungan Batu Maung Sdn Bhd and his yachts sales company, Pen Marine Sdn Bhd. In the past 8 years, he was Vice President of the Kenanga Invesment Bank Berhad providing professional investment management services to corporate clients. Mr Oh is actively involved in the Association of Marine Industry of Malaysia, Singapore Boating Industry Association and the Asia Pacific Superyacht Association in the quest to promote the surge of the luxury yachting industry in Asia.

## Chay Yiowmin

Independent Director

Chay Yiowmin

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

Mr Chay has more than 14 years of public accounting experience in Singapore and the United Kingdom. Mr Chay is currently an advisory partner of BDO LLP, heading the Corporate Finance, and the Financial Risk and Governance Practice. Prior to joining BDO LLP, Mr Chay gained his professional experience with a number of large multinational accounting and audit firms where he was admitted as a partner in January 2010. 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 practising member of the Institute of Singapore Chartered Accountants (ISCA), Certified Finance and Treasury Professional (CFTP) of the Finance and Treasury Association (FTA), and a Fellow Member of the American Academy of Financial Management (AAFM).

Mr Chay currently sits on the Young Executive Group committee of the Singapore Shipping Association, the Singapore steering committee of the Professional Risk Managers' International Association (PRMIA), and the Corporate Finance committee of the ICSA.

## Loh Meng Chong, Stanley

Executive Director

Loh Meng Chong, Stanley

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

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 organizations.

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 daily operations of the Group.

# Management Team

Luong Andy

## 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 85,859,000 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

## 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 organizations.

During the year, Mr Loh's responsibilities expanded to cover the entire UMS Group operations.

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 daily operations of the Group.

Kay Tan Kian Hong

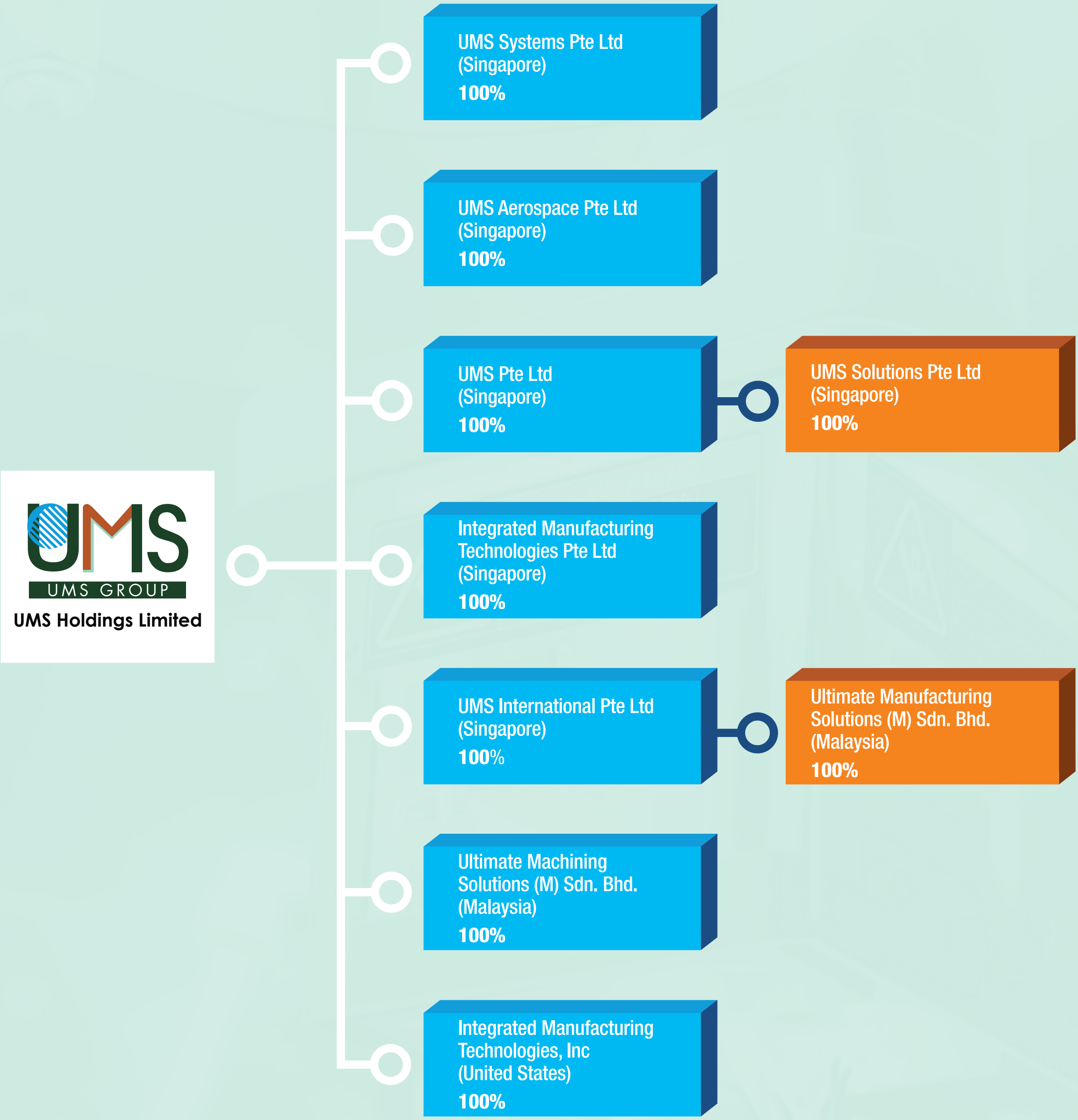
## Kay Tan Kian Hong

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 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



# Milestones

UMS GROUP
UMS Holdings Limited

## 2012

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

## 2011

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

## 2010

**December /** Obtained 10-years pioneer tax-free status in Malaysia

## 2009

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

## 2008

**February /** Grand opening of new Changi North Rise facility

## 2007

**August /** Ground Breaking of Penang (Malaysia) facility

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

**January /** UMS obtained AS9100:2004 certification

## 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

## 2004

Merger with Norelco Centreline Holdings Limited

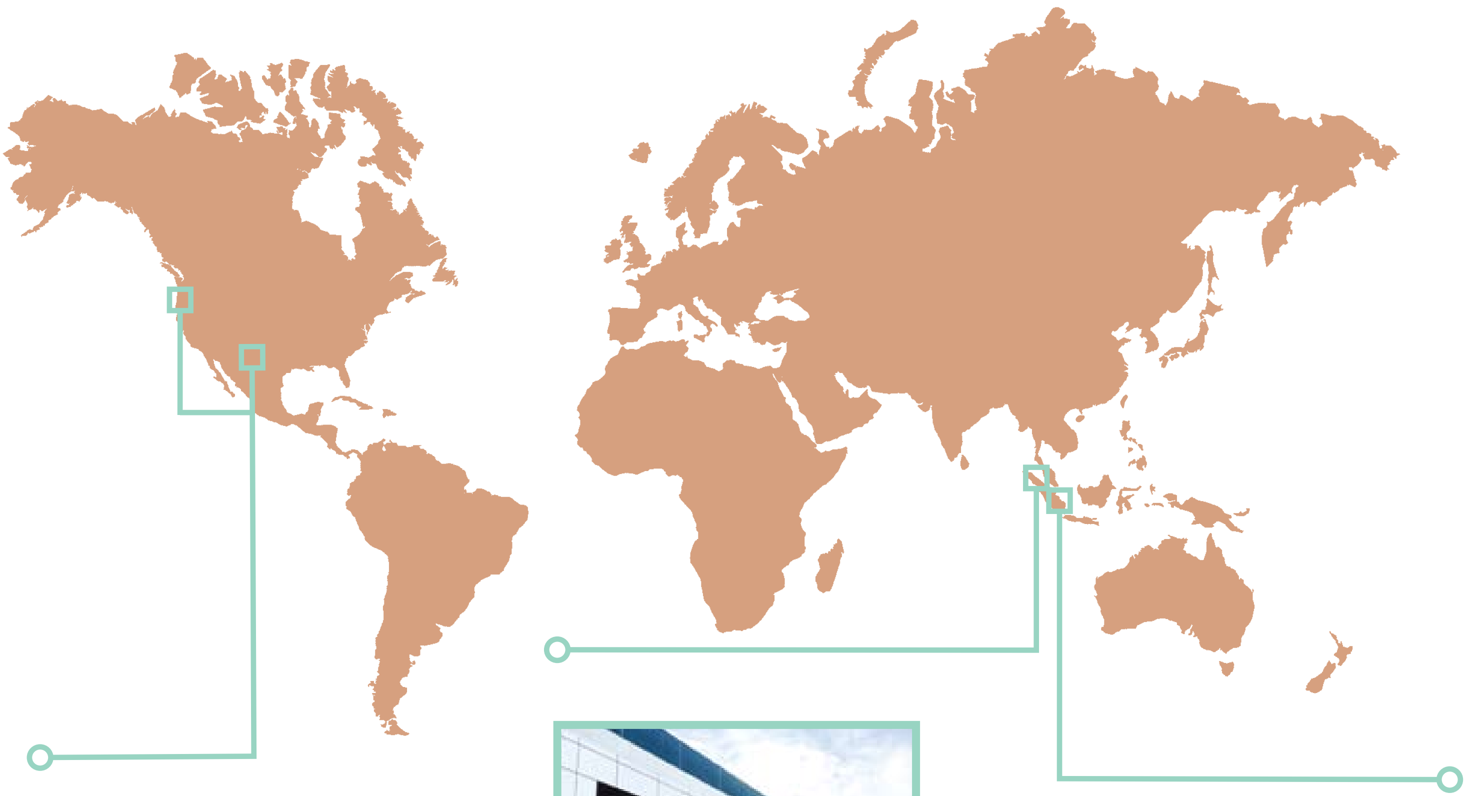
## 1996

Started UMS in Singapore

## 1984

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

# Corporate Offices



## USA

**Integrated Manufacturing Technologies, Inc**
(California office)
1477 North Milpitas Boulevard
Milpitas, CA 95035

**Integrated Manufacturing Technologies, Inc**
(Texas office)
13930 Immanuel Road, Suite B
Pflugerville, TX 78660
Tel : (65) 6543 2272
Fax : (65) 6542 9979
Email : sales@umsgroup.com.sg
Website : http://www.umsgroup.com.sg

## MALAYSIA

**Ultimate Manufacturing Solutions (M) Sdn. Bhd.**
**Ultimate Machining 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


## 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

# Corporate Information

## Board of Directors

Soh Gim Teik
Chairman

Luong Andy
Chief Executive Officer

Oh Kean Shen
Independent Director

Chay Yiowmin
Independent Director

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

## Audit Committee

Chay Yiowmin
Soh Gim Teik
Oh Kean Shen

## Nominating Committee

Oh Kean Shen
Soh Gim Teik
Luong Andy
Chay Yiowmin

## Remuneration Committee

Chay Yiowmin
Soh Gim Teik
Oh Kean Shen

## Registered Office

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

## Independent Auditors

Moore Stephens LLP
Public Accountants and Chartered Accountants
10 Anson Road #29-15 International Plaza
Singapore 079903
Audit Partner-in-charge: Christopher Bruce Johnson
(appointed with effect from financial year ended 31 December 2013)

## Share Registrar

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

## Principal Bankers

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

## Company Secretary

Ms Shirley Lim Guat Hua (ACIS)
Complete Corporate Services Pte Ltd
10 Anson Road #32-15 International Plaza
Singapore 079903

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 2012 (the 'Code'). The Board is pleased to confirm that for the financial year ended 31 December 2014, the Company has generally adhered to the principles and guidelines of the Code and any deviations will be specified in this report.

## The Board's Conduct of Affairs – Principle 1

The Board comprises five Directors at the end of the year 2014, of which three, including the Non-Executive Chairman, are Independent Directors. The Board provides entrepreneurial leadership, set strategic aims, and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. It also establishes a framework of prudent and effective controls which enable risks to be assessed and managed. In addition, it reviews management performance, set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

The key responsibilities of the Board include:

- Approving business direction and strategies;
- Monitoring management'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.

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 four times. The Company's Articles of Association 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 2014 are disclosed below:

| Name of Director | Board Meetings | | Audit Committee Meetings | | Nominating Committee Meetings | | Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|---|---|
| | No Held | No Attended | No Held | No Attended | No Held | No Attended | No Held | No Attended |
| Mr Soh Gim Teik ^* | 4 | 4 | 4 | 2 | 1 | 1 | 5 | 1 |
| Mr Luong Andy+ | 4 | 4 | N.A | N.A | 1 | 1 | N.A | N.A |
| Mr Oh Kean Shen #* | 4 | 4 | 4 | 4 | 1 | 1 | 5 | 5 |
| Mr Neo Ban Chuan #* (Resigned on 8 May 2014) | 4 | 1 | 4 | 1 | 1 | 1 | 5 | 4 |
| Mr Chay Yiowmin #* | 4 | 4 | 4 | 4 | 1 | 1 | 5 | 5 |
| Mr Stanley Loh Meng Chong+ | 4 | 4 | N.A | N.A | N.A | N.A | N.A | N.A |

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

On 8 May 2014, Mr Soh Gim Teik was appointed as a member of the Audit Committee and Remuneration Committee and Mr Neo Ban Chuan resigned as an Independent Director on 8 May 2014.

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

## Board Composition and Guidance – Principle 2

As at 31 December 2014, the Board comprises five directors. The Chief Executive Officer ('CEO") is one of two Executive Directors whilst the remaining three Directors, including the Non-Executive Chairman, are Non-Executive Directors of the Company. Non-Executive Directors of the Company assist the Chairman to fulfil his role by regularly assessing the effectiveness of the Board's processes and activities in meeting set objectives and corporate governance standards.

Three Directors out of the total Board of five Directors are independent; hence the Group believes the Board is effective and autonomous. The independence of each Director is reviewed annually by the Nominating Committee based on the Code's definition of independence. The Board has also satisfied the Code whereby at least one-third of the Board should be independent.

The non-executive and independent Directors would bring a broader view with independent judgment on issues for the Board's deliberations.

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

## Chairman and Chief Executive Officer – Principle 3

### Guideline 3.1 – Relationship between Chairman and Chief Executive Officer ("CEO")

The Code states that the roles of the Chairman and the CEO should be separate to ensure an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. The Company has adhered to the recommendation of the Code by appointing Mr Soh Gim Teik as a non-Executive Chairman with effect from 15 February 2008. Mr Luong Andy has been the CEO of the Company since 2005.

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

As the non-Executive Chairman, Mr Soh Gim Teik's responsibilities, among others, include the following:

- Lead the Board to ensure its effectiveness to all aspects of its role and set its agenda;
- Ensure that the directors receive accurate, timely and clear information;
- Ensure effective communication with shareholders;
- Encourage constructive relations between the Board and Management;
- Facilitate the effective contribution of Non-Executive Directors to the Board;
- Encourage constructive relations between the Non-Executive Directors and Executive Directors; and
- Promote high standards of corporate governance.

## Board Membership – Principle 4

### Guideline 4.1 – Composition of Nominating Committee

The appointment of new directors to the Board is recommended by the Nominating Committee ("NC"). The NC comprises three Non-Executive Directors and one Executive Director, namely Mr Oh Kean Shen, Mr Soh Gim Teik, Mr Chay Yiowmin and Mr Luong Andy.

| Name | Role in NC | Role In Board |
|---|---|---|
| Mr Oh Kean Shen | Chairman | Independent and Non-Executive Director |
| Mr Neo Ban Chuan<br>(Resigned on 8 May 2014) | Member | Independent and Non-Executive Director |
| Mr Soh Gim Teik | Member | Chairman, Independent and Non-Executive Director |
| Mr Luong Andy | Member | Chief Executive Officer and Executive Director |
| Mr Chay Yiowmin | Member | Independent and Non-Executive Director |

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

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

**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.

Under the Articles of Association 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. The NC considers that the multiple board representations held presently by some of the Directors do not impede their performance in carrying out their duties to the Company and in fact, enhances the performance of the Board as it broadens the range of the experience and knowledge of the Board.

## Board Performance – Principle 5

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

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

The NC is responsible for the following functions:-

- To review and determine the independence of each director;
- To make 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; and
- To propose the Board's performance evaluation criteria.

## Access to Information – Principle 6

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

The Directors have separate and independent access to the Company Secretary. The Company Secretary assists the Chairman in ensuring that all board procedures are followed and that the Company's Memorandum and Articles of Association and applicable rules and regulations, including requirements of the Singapore Companies Act, Cap. 50 and the Singapore Exchange Securities Trading Limited ("SGX-ST") are complied with. The Company Secretary or 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 Secretary is also the primary channel of communication between the Company and SGX-ST.

The Company Secretary or her representatives attends all Board and Board Committees meetings and the minutes of such meetings are promptly circulated to all Board members.

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

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

### Procedures for Developing Remuneration Policies – Principle 7

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

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

| Name | Role in RC | Role In Board |
|---|---|---|
| Mr Chay Yiowmin | Chairman | Independent and Non-Executive Director |
| Mr Neo Ban Chuan (Resigned on 8 May 2014) | Member | Independent and Non-Executive Director |
| Mr Soh Gim Teik (Appointed on 8 May 2014) | Member | Chairman, Independent and Non-Executive Director |
| Mr Oh Kean Shen | Member | Independent and Non-Executive Director |

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

The RC's responsibilities include the following:

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

### Level and Mix of Remuneration – Principle 8

The level and structure 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.

## 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 and the CEO as well as the key management personnel is not advantageous to the Company.

**Guideline 9.1 Remuneration Details of the Directors**

The remuneration of Directors for the year ended 31 December 2014 is set out below:

| Name of Director | Salary | Variable Bonus and Incentives | Allowances | Central Provident Fund Contribution | Directors Fees | Total |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | % |
| **Non- Executive Directors** | | | | | | |
| **Below S$250,000** | | | | | | |
| Mr Soh Gim Teik | 0% | 0% | 0% | 0% | 100% | 100% |
| Mr Neo Ban Chuan (Resigned on 8 May 2014) | 0% | 0% | 0% | 0% | 100% | 100% |
| Mr Oh Kean Shen | 0% | 0% | 0% | 0% | 100% | 100% |
| Mr Chay Yiowmin | 0% | 0% | 0% | 0% | 100% | 100% |
| | | | | | | |
| **Executive Directors** | | | | | | |
| **S$ 2,250,000 to S$2,499,999** | | | | | | |
| Mr. Luong Andy | 20% | 70% | 9% | 1% | 0% | 100% |
| **S$ 500,000 to S$ 749,999** | | | | | | |
| Mr Stanley Loh Meng Chong | 41% | 53% | 4% | 2% | 0% | 100% |

**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 2014 is set out below:

| Name of Key Executive | Salary | Allowances | Bonus | Central Provident Fund Contribution | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **S$250,000 to S$499,999** | | | | | |
| Mr Kay Tan Kian Hong | 46% | 0% | 54% | 0% | 100% |
| **Below S$250,000** | | | | | |
| Mr Gobinath A/L Gunaselan | 67% | 6% | 17% | 10% | 100% |
| Ms Pang Su Chun | 71% | 5% | 14% | 10% | 100% |
| Ms Ang Teng Fung | 67% | 4% | 17% | 12% | 100% |
| Mr Gajendran Rajendra Babu | 64% | 7% | 16% | 13% | 100% |

The total remuneration paid to the above key management personnel for the financial year ended 31 December 2014 was S$0.8M.

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.

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

| Name | Role in AC | Role In Board |
|---|---|---|
| Mr Chay Yiowmin<br>(Appointed as Chairman on 8 May 2014) | Chairman | Independent and Non-Executive Director |
| Mr Soh Gim Teik<br>(Appointed on 8 May 2014) | Member | Chairman, Independent and Non-Executive Director |
| Mr Neo Ban Chuan<br>(Resigned on 8 May 2014) | Chairman | Independent and Non-Executive Director |
| Mr Oh Kean Shen | Member | Independent and Non-Executive Director |

The roles and responsibilities of the AC are to:

- Recommend to the Board, the external 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;
- 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 meeting, 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 met with external auditors, and with internal auditors, without the presence of the Company's management, at least once a year.

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 Christopher Bruce Johnson was appointed on 20 December 2013 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 FY2014, the total amount of fees in respect of statutory audit services provided by the external auditors for the Group amounted to approximately S$202,000. There was no non-audit service rendered by the Group's external auditors, Moore Stephens LLP, to the Group for the FY2014.

The Audit Committee 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.

**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, compliance and information technology 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 internal audit ("IA") function of the Group is outsourced to KPMG Services Pte. Ltd. ("KPMG"). The IA reports to the Audit Committee. KPMG is guided by the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

During the financial 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.

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 will be assigned to these risks and appropriate actions will be taken to mitigate or avoid these risks.

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 Audit Committee, 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, Cap. 50 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.

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

Shareholders are encouraged to attend and participate at the Company's Annual General Meeting to ensure that they have a better understanding of the Group's plans and developments for the future. 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.

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

### Dealing in Company's Securities

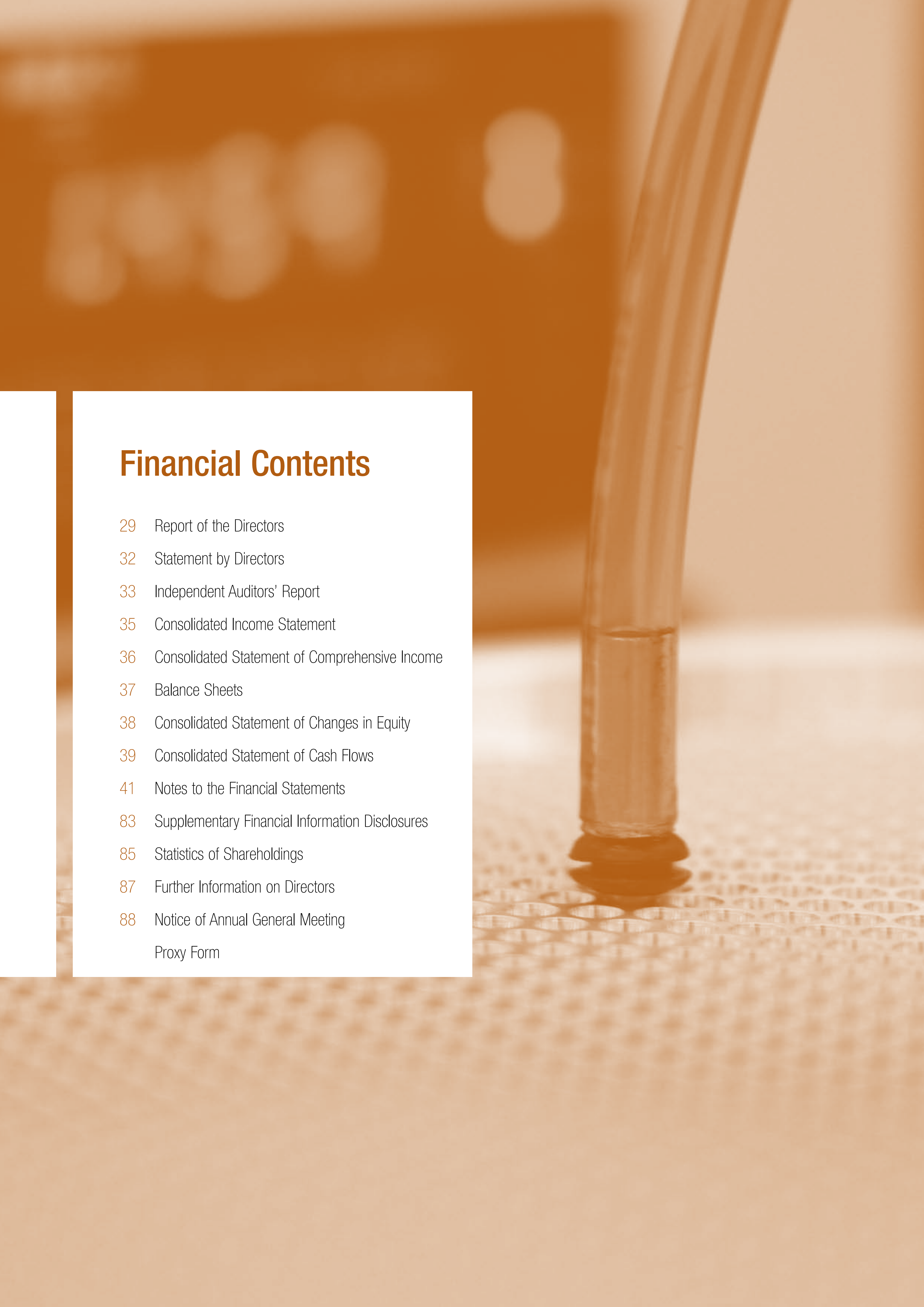
An internal Code on Dealings in Securities is also in place to prescribe the internal regulations pertaining to the securities of the Company and its listed subsidiaries. The code prohibits securities dealings by Directors and employees while in possession of unpublished price-sensitive information of 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 Enterprises Pte Ltd, a company in which Mr Luong's wife, Mrs. Sylvia SY Lee Luong is a 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 FY2014 or if not then subsisting, entered into since the end of the previous financial year.



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Proxy Form

The directors present their report 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 2014, and the balance sheet of the Company as at 31 December 2014.

## 1 Directors

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

| | |
|---|---|
| Mr Luong Andy | Executive Director |
| Mr Stanley Loh Meng Chong | Executive Director |
| Mr Soh Gim Teik | Independent Director |
| Mr Oh Kean Shen | Independent Director |
| Mr Chay Yiowmin | Independent Director |

## 2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

## 3 Directors' Interests in Shares or Debentures

The directors of the Company holding office at the beginning and the end of the financial year had no interests in the shares or debentures of the Company and related corporations 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:

| | Held in the name of the directors | | Deemed interest | |
|---|---|---|---|---|
| Name of Directors and the Company | as at 1.1.14 | as at 31.12.14 | as at 1.1.14 | as at 31.12.14 |
| **UMS Holdings Limited (the Company)** | | No. of Ordinary shares | | |
| Mr Luong Andy | – | – | 95,607,727 | 91,759,000 |
| Mr Stanley Loh Meng Chong | 200,000 | 250,000 | – | – |

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 2015.

## 4 Directors' Contractual Benefits

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

## 5 Options to Take Up Unissued Shares

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

## 6 Options Exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

## 7 Unissued Shares Under Option

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

## 8 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)
Mr Soh Gim Teik
Mr Oh Kean Shen

The AC carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. Amongst others, the AC performed the following functions:

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

Other functions performed by the AC are described in the report on corporate governance included in the Company's annual report.

## 9 Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

| | |
|---|---|
| ........................................ | ........................................ |
| LUONG ANDY | LOH MENG CHONG, STANLEY |

Singapore
18 March 2015

# Statement by Directors

31 December 2014

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 35 to 82 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group for the financial year then ended;

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

On behalf of the Board of Directors,

| | |
|---|---|
| LUONG ANDY | LOH MENG CHONG, STANLEY |

Singapore
18 March 2015

# Independent Auditors'

Report to the Members of UMS Holdings Limited
(Incorporated in Singapore)

We have audited the accompanying consolidated financial statements of UMS Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 35 to 82, which comprise the balance sheets of the Group and of the Company as at 31 December 2014, and the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the year ended on that date.

# Independent Auditors'

Report to the Members of UMS Holdings Limited
(Incorporated in Singapore)

### *Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

**Moore Stephens LLP**
Public Accountants and
Chartered Accountants

Singapore
18 March 2015

# Consolidated Income Statement

For the financial year ended 31 December 2014

| | Note | Group 2014 S$'000 | Group 2013 S$'000 |
|---|---|---|---|
| Revenue | 5 | **109,819** | 120,496 |
| Changes in inventories | | **(3,866)** | 10,193 |
| Raw material purchases and subcontractor charges | | **(46,389)** | (65,744) |
| Employee benefits expense | 6 | **(12,222)** | (13,074) |
| Depreciation expense | 17, 18 | **(7,741)** | (7,875) |
| Other expenses | 7 | **(12,260)** | (12,025) |
| Other credits | 8 | **307** | 657 |
| Finance income | 9 | **74** | 150 |
| Finance expense | 10 | **(18)** | (66) |
| **Profit before income tax** | | **27,704** | 32,712 |
| Income tax | 11 | **(2,775)** | (3,832) |
| **Net profit for the year attributable to the owners of the Company** | | **24,929** | 28,880 |
| | | | Restated |
| **Earnings per share** | | | |
| - Basic | 12 | **5.81 cents** | 6.73 cents |
| - Diluted | 12 | **5.81 cents** | 6.73 cents |

The accompanying notes form an integral part of the financial statements

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| **Net profit for the year** | **24,929** | 28,880 |
| **Other comprehensive loss, net of income tax:** | | |
| *Items that may be classified subsequently to profit or loss:* | | |
| Exchange differences on translation of foreign operations | **(356)** | (1,074) |
| **Total comprehensive income for the year attributable to the owners of the Company** | **24,573** | 27,806 |

The accompanying notes form an integral part of the financial statements

# Balance Sheets

As at 31 December 2014

| | Note | Group 2014 S$'000 | Group 2013 S$'000 | Company 2014 S$'000 | Company 2013 S$'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and bank balances | 13 | **33,792** | 29,236 | **357** | 621 |
| Trade receivables and other current assets | 14 | **12,850** | 21,383 | **3,740** | 5,843 |
| Inventories | 15 | **33,327** | 37,193 | **–** | – |
| **Total Current Assets** | | **79,969** | 87,812 | **4,097** | 6,464 |
| **Non-Current Assets** | | | | | |
| Investments in subsidiaries | 16 | **–** | – | **192,415** | 192,415 |
| Property, plant and equipment | 17 | **41,725** | 43,419 | **–** | – |
| Investment property | 18 | **2,629** | 2,848 | **–** | – |
| Goodwill | 19 | **81,683** | 81,683 | **–** | – |
| **Total Non-Current Assets** | | **126,037** | 127,950 | **192,415** | 192,415 |
| **Total Assets** | | **206,006** | 215,762 | **196,512** | 198,879 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 20 | **11,061** | 18,906 | **7,043** | 3,206 |
| Income tax payable | | **2,357** | 3,617 | **–** | 55 |
| **Total Current Liabilities** | | **13,418** | 22,523 | **7,043** | 3,261 |
| **Non-Current Liabilities** | | | | | |
| Deferred tax liabilities | 11 | **1,337** | 1,644 | **–** | 12 |
| Long-term provision | 21 | **453** | 464 | **–** | – |
| **Total Non-Current Liabilities** | | **1,790** | 2,108 | **–** | 12 |
| **Total Liabilities** | | **15,208** | 24,631 | **7,043** | 3,273 |
| **Capital and Reserves** | | | | | |
| Share capital | 22 | **136,623** | 136,623 | **136,623** | 136,623 |
| Reserves | 23 | **(4,263)** | (3,907) | **–** | – |
| Retained earnings | | **58,438** | 58,415 | **52,846** | 58,983 |
| **Total Equity** | | **190,798** | 191,131 | **189,469** | 195,606 |
| **Total Liabilities and Equity** | | **206,006** | 215,762 | **196,512** | 198,879 |

The accompanying notes form an integral part of the financial statements

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2014

| | Note | Share Capital S$'000 | Foreign Exchange Translation Reserve S$'000 | Retained Earnings S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Balance at 1 January 2014 | | **136,623** | **(3,907)** | **58,415** | **191,131** |
| Net profit for the year | | **–** | **–** | **24,929** | **24,929** |
| Other comprehensive loss for the year - Exchange differences on translation of foreign operations | | **–** | **(356)** | **–** | **(356)** |
| Total comprehensive income for the year | | **–** | **(356)** | **24,929** | **24,573** |
| Dividends | 24 | **–** | **–** | **(24,906)** | **(24,906)** |
| Balance at 31 December 2014 | | **136,623** | **(4,263)** | **58,438** | **190,798** |
| Balance at 1 January 2013 | | 136,623 | (2,833) | 46,723 | 180,513 |
| Net profit for the year | | – | – | 28,880 | 28,880 |
| Other comprehensive loss for the year - Exchange differences on translation of foreign operations | | – | (1,074) | – | (1,074) |
| Total comprehensive income for the year | | – | (1,074) | 28,880 | 27,806 |
| Dividends | 24 | – | – | (17,188) | (17,188) |
| Balance at 31 December 2013 | | 136,623 | (3,907) | 58,415 | 191,131 |

The accompanying notes form an integral part of the financial statements

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014

| | Note | Group 2014 S$'000 | 2013 S$'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Profit before income tax | | **27,704** | 32,712 |
| Adjustments for: | | | |
| Depreciation expense | 17, 18 | **7,741** | 7,875 |
| Property, plant and equipment written off | 8 | **276** | 9 |
| Unwinding discount on long-term provision | 9 | **(11)** | (100) |
| Gain on disposal of property, plant and equipment | 8 | **(40)** | (128) |
| Allowance for doubtful trade debts | 8 | **33** | – |
| Bad debts written off - trade | 8 | **9** | – |
| Allowance for inventories obsolescence | 8 | **26** | 909 |
| Interest income | 9 | **(63)** | (50) |
| Interest expense | 10 | **18** | 66 |
| Unrealised foreign exchange gain | | **(126)** | (997) |
| Operating cash flows before working capital changes | | **35,567** | 40,296 |
| Changes in working capital: | | | |
| Trade receivables and other current assets | | **8,055** | (7,795) |
| Inventories | | **3,794** | (11,096) |
| Trade and other payables | | **(7,845)** | 8,629 |
| **Cash generated from operations** | | **39,571** | 30,034 |
| Income tax paid | | **(3,962)** | (2,216) |
| **Net cash generated from operating activities** | | **35,609** | 27,818 |
| **Cash Flows from Investing Activities** | | | |
| Proceeds from disposal of property, plant and equipment | | **40** | 128 |
| Purchase of property, plant and equipment | 17 | **(6,689)** | (1,994) |
| Proceeds on sale of financial assets, available-for-sale | | **–** | 4,276 |
| Interest received | | **63** | 50 |
| **Net cash (used in)/generated from investing activities** | | **(6,586)** | 2,460 |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from bank borrowings | | **6,268** | 8,000 |
| Repayment of bank borrowings | | **(6,268)** | (25,100) |
| Dividends paid | 24 | **(24,906)** | (17,188) |
| Repayment of finance lease obligation | | **–** | (138) |
| (Decrease)/Increase in fixed deposit - restricted | | **(8)** | 2 |
| Interest paid | | **(18)** | (66) |
| **Net cash used in financing activities** | | **(24,932)** | (34,490) |
| **Net increase/(decrease) in cash and cash equivalents** | | **4,091** | (4,212) |
| **Cash and cash equivalents at the beginning of the year** | | **28,990** | 32,276 |
| Net effect of exchange rate changes on the balances of cash and cash equivalents held in foreign currencies | | **462** | 926 |
| **Cash and cash equivalents at the end of the year** | (A) | **33,543** | 28,990 |

The accompanying notes form an integral part of the financial statements

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014

## A. Cash and Cash Equivalents

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Cash and bank balances (Note 13) | **33,792** | 29,236 |
| Less: Fixed deposit - restricted in use (Note 13) | **(249)** | (246) |
| Cash and cash equivalents per consolidated statement of cash flows | **33,543** | 28,990 |

The accompanying notes form an integral part of the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

## 1 General

UMS Holdings Limited (the "Company") is 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.

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 2014 were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Statement by Directors.

## 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 ("FRS").

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 an historical cost basis, except as disclosed in the summary of accounting policies set out in Note 3.

*Adoption of New/Revised FRS*

On 1 January 2014, the Group and the Company adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

| | | Effective for annual financial periods beginning on or after |
|---|---|---|
| FRS 27 | *Separate Financial Statements* | 1 January 2014 |
| FRS 110 | *Consolidated Financial Statements* | 1 January 2014 |
| FRS 112 | *Disclosure of Interests in Other Entities* | 1 January 2014 |
| Amendments to FRS 32 | *Offsetting Financial Assets and Financial Liabilities* | 1 January 2014 |
| Amendments to FRS 36 | *Recoverable Amount Disclosures for Non-Financial Assets* | 1 January 2014 |

FRS 27 *Separate Financial Statements*

FRS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate financial statements. The application of FRS 27 has no material impact on the financial performance of the Group or the financial positions of the Group and the Company.

## 2 Basis of Preparation (cont'd)

*Adoption of New/Revised FRS* (cont'd)

FRS 110 *Consolidated Financial Statements*

Under FRS 110, there is only one basis for consolidation for all entities, and that basis is control. This change removes the perceived inconsistency between the previous version of FRS 27 *Consolidated Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities* – FRS 27 used a control concept whilst INT FRS 12 placed greater emphasis on risks and rewards.

A more robust definition of control has been developed in FRS 110 in order to capture unintentional weakness of the definition of control set out in the previous version of FRS 27. The definition of control in FRS 110 includes three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of investor's returns.

FRS 110 requires investors to reassess whether or not they have control over their investees on transition to FRS 110. In general, FRS 110 requires retrospective application, with certain limited transitional provisions.

The application of this new standard has no material impact on the financial performance or the financial position of the Group.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is a new disclosure standard and is applicable to entities that have an interest in subsidiaries, joints arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements. As this is a disclosure standard, the adoption has not resulted in any impact on the financial performance of the Group or the financial positions of the Group and the Company.

Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also not be contingent on a future event and must be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contract. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments.

The Group is of the view that the amendments will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company on initial application.

Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or Cash-Generating Unit (CGU) to periods in which an impairment loss has been recognised or reversed.

The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

The application of these amendments has had no impact on the disclosure in the Group's consolidated financial statements.

## 2 Basis of Preparation (cont'd)

*New/Revised FRS which are not yet effective*

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

| | | Effective for annual financial periods beginning on or after |
|---|---|---|
| FRS 24 | *Related Party Disclosures* | 1 July 2014 |
| FRS 108 | *Operating Segments* | 1 July 2014 |
| FRS 113 | *Fair Value Measurement* | 1 July 2014 |
| FRS 103 | *Business Combinations* | 1 July 2014 |
| FRS 109 | *Financial Instruments* | 1 January 2018 |
| FRS 115 | *Revenue from Contracts with Customers* | 1 January 2017 |

Amendment to FRS 24 *Related Party Disclosures*

This amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments require the amounts incurred by an entity for such services to be included in the related party disclosures. However, this amount need not be split into components required for other key management personnel compensation.

On adoption, the amendment will be applied retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company when implemented.

Amendment to FRS 108 *Operating Segments*

The amendment requires the disclosure of judgements made by management in deciding whether to combine operating segments for segment reporting purposes, including the economic indicators that have been assessed in determining whether the aggregated operating segments have similar economic characteristics.

The reconciliation of the total reportable segments' assets to the entity's total assets is required to be disclosed only if segment assets are regularly reported to the chief operating decision maker.

On adoption, the amendment will be applied retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company when implemented.

## 2 **Basis of Preparation** (cont'd)

*New/Revised FRS which are not yet effective* (cont'd)

Amendment to FRS 103 *Business Combinations (Scope of exception for joint venture)*

The amendment clarifies that the formation of all types of joint arrangements (and not just joint ventures) are outside the scope of FRS 103. This scope exception applies only to the accounting in the financial statements of the joint arrangements itself.

Amendment to FRS 103 *Business Combinations* is effective prospectively for annual periods beginning on or after 1 July 2014.

Amendment to FRS 113 *Fair Value Measurement*

The amendment clarifies that the references to financial assets and financial liabilities in FRS 113 should be read as applying to all contracts within the scope of, and accounted for, in accordance with, FRS 39, regardless of whether they meet the definitions of financial assets or financial liabilities in FRS 32 *Financial Instruments: Presentation*.

The Group is of the view that the adoption of this standard does not have any material impact on the financial performance of the Group or financial positions of the Group and the Company when implemented.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 39 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is in the process of assessing the potential impact that will result from the application of FRS 109.

FRS 115 *Revenue from Contracts with Customers*

FRS 115, published in November 2014, establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts;
- Identification of the performance obligations in the contract;
- Determination of the transaction prices;
- Allocation of the transaction price to the performance obligation; and
- Recognition of revenue when (or as) an entity satisfies a performance obligation.

FRS 115 will replace the existing revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and INT FRS 113 *Customer Loyalty Programs*.

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is in the process of assessing the potential impact that will result from the application of FRS 115.

## 3 Summary of Significant Accounting Policies

### (a) Basis of Consolidation

*Consolidation*

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.

In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

*Acquisition of businesses*

The acquisition method is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, equity instruments issued by the Group or the liabilities incurred or assumed at the date of exchange. The consideration transferred also 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, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity in the consolidated statement of financial position, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss in the consolidated statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

## 3 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

*Disposals of subsidiaries*

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(b) Goodwill on Consolidation

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. 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 off, the goodwill associated with the operation disposed off, 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 off is measured based on the relative fair values of the operations disposed off, 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.

## 3 **Summary of Significant Accounting Policies** (cont'd)

(d) Property, Plant and Equipment

*Measurement*

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

Capital work-in-progress is stated at cost less any accumulated impairment losses, if any, and cost incurred during the period of construction. No depreciation is provided on capital work-in-progress and upon completion of the construction, the costs will be transferred to property, plant and equipment.

*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 properties | – | 60 years |
| Plant and equipment | – | 3 to 10 years |

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

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.

## 3 Summary of Significant Accounting Policies (cont'd)

(e) Investment Property

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

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

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

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.

(f) 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 restricted deposit balances that are pledged to secure banking facilities.

(g) 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.

(h) 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.

## 3 Summary of Significant Accounting Policies (cont'd)

### (h) 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.

### (i) 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.

### (j) Financial Assets

*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.

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 "trade receivables and other current assets", and "cash and bank balances" on the balance sheet.

*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. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

*Initial measurement*

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

*Subsequent measurement*

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

## 3 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

*Impairment*

The Group assesses at each balance sheet date 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.

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.

(k) 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.

(l) Trade and Other Payables

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

(m) 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.

## 3 Summary of Significant Accounting Policies (cont'd)

(n) 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.

(o) 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.

(p) Dividends to Company's Shareholders

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

(q) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of business, net of goods and services tax, rebates and discounts and after eliminating intercompany sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

*(i) Sale of goods*

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

*(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.

## 3 Summary of Significant Accounting Policies (cont'd)

(r) 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.

(s) 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.

## 3 Summary of Significant Accounting Policies (cont'd)

(s) Income Tax (cont'd)

*Deferred tax* (cont'd)

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.

The Group recognises 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.

(t) 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 (its 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

## 3 Summary of Significant Accounting Policies (cont'd)

(t) Foreign Currencies (cont'd)

*Transactions and balances* (cont'd)

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.

*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 are 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.

(u) 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.

## 3 Summary of Significant Accounting Policies (cont'd)

(v) 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.

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); or

   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).

## 4 Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, which are described in Note 3, 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.

### (a) Key Sources of Estimation Uncertainty

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

*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 (excluding capital work-in-progress) and investment property of the Group as at 31 December 2014 amounted to S$37,388,000 (2013: S$39,110,000) and S$2,629,000 (2013: S$2,848,000) respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximate 1.6% (2013: 1%) change in the Group's net profit for the year. Further details are given in Notes 17 and 18.

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2014 was S$81,683,000 (2013: S$81,683,000). Further details are given in Note 19.

*Provision for dismantling and restoration*

The Group has recognised a provision for dismantling and removing the items and restoring the existing factory to its original condition. In determining the amount of the provision, assumption and estimates are made in relation to the discount rate, expected cost to dismantle and remove all plant from the factory site and expected timing of those costs. The carrying amount of the provision as at 31 December 2014 was S$453,000 (2013: S$464,000) (Note 21). If the estimated pre-tax discount rate used in the calculation had been 1% higher than the management estimates, the carrying amount of the provision would have been S$5,000 (2013: S$5,000) higher.

## 4 Critical Accounting Estimates and Judgements (cont'd)

(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.

*Impairment of trade and other receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency, current economic trends and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the total carrying amounts of trade and other receivables of the Group and the Company as at 31 December 2014 amounting to S$12,020,000 (2013: S$19,903,000) and S$3,725,000 (2013: S$5,829,000) (Note 14) respectively.

An allowance for impairment of S$33,000 (2013: Nil) (Note 8) was recognised by the Group on trade receivables for the financial year ended 31 December 2014. Certain trade receivables which were assessed to be non-recoverable amounting to S$9,000 (2013: Nil) (Note 8) were written off during the financial year.

The Group's allowance for impairment of trade and other receivables as at 31 December 2014 amounted to S$152,000 (2013: S$126,000) (Note 14).

*Allowance for inventories obsolescence*

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

During the financial year, the Group recognised a net allowance for inventory obsolescence of S$26,000 (2013: S$909,000) (Note 8). The carrying amount of the Group's inventories as at 31 December 2014 was S$33,327,000 (2013: S$37,193,000) (Note 15).

## 5 Revenue

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Sale of goods | **108,341** | 119,036 |
| Rental income | **1,478** | 1,460 |
| | **109,819** | 120,496 |

## 6 Employee Benefits Expense

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Salaries and wages | **(9,268)** | (9,259) |
| Expenses on executive bonus plan to key management personnel | **(1,627)** | (2,390) |
| Contributions to defined contribution plans | **(1,327)** | (1,425) |
| | **(12,222)** | (13,074) |

## 7 Other Expenses

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| The major components include the following: | | |
| Utilities | **(3,837)** | (3,900) |
| Rental expense of premises - operating leases | **(1,403)** | (1,427) |
| Upkeep of machinery | **(2,544)** | (1,981) |
| Freight charges | **(614)** | (731) |
| Other rental expenses | **(151)** | (170) |
| Legal and professional fees | **(1,225)** | (1,139) |
| Auditor's remuneration | | |
| - Company's auditors | **(202)** | (176) |
| - Other auditors | **(9)** | (8) |
| Upkeep of properties | **(210)** | (277) |
| Insurance | **(502)** | (466) |
| Property tax | **(286)** | (309) |
| Others | **(1,277)** | (1,441) |
| | **(12,260)** | (12,025) |

There were no non-audit fees paid/payable to the Company's auditors during the financial years ended 31 December 2014 and 2013.

## 8 Other Credits/(Charges)

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Property, plant and equipment written off | **(276)** | (9) |
| Allowance for doubtful trade debts (Note 14) | **(33)** | – |
| Bad debts written off - trade | **(9)** | – |
| Allowance for inventories obsolescence | **(26)** | (909) |
| Foreign exchange gains - net | **533** | 1,323 |
| Gain on disposal of property, plant and equipment | **40** | 128 |
| Others | **78** | 124 |
| | **307** | 657 |

## 9 Finance Income

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Interest income from cash and cash equivalents | **63** | 50 |
| Finance income | | |
| - Unwinding discount on long-term provision (Note 21) | **11** | 100 |
| | **74** | 150 |

## 10 Finance Expense

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Interest expense | | |
| - bank borrowings | **(18)** | (65) |
| - finance lease obligation | **–** | (1) |
| | **(18)** | (66) |

## 11 Income Tax

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Current income tax: | | |
| - Current year | **3,043** | 4,389 |
| - Under/(Over) provision in respect of prior years | **39** | (15) |
| Deferred taxation | | |
| - Current year | **(307)** | (679) |
| - Under provision in respect of prior years | **–** | 137 |
| | **2,775** | 3,832 |

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 | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Profit before income tax | **27,704** | 32,712 |
| Tax at the applicable tax rate of 17% | **4,710** | 5,561 |
| Tax effect of non-deductible items* | **637** | 333 |
| Income not subject to taxation* | **(230)** | (375) |
| Under/(Over) provision of income tax in respect of prior years | **39** | (15) |
| Under provision of deferred tax in respect of prior years | **–** | 137 |
| Tax exemption | **(3,487)** | (3,011) |
| Singapore statutory stepped exemption | **(224)** | (280) |
| Effect of different tax rates operating in other jurisdictions | **1,334** | 1,481 |
| Effect of deferred tax benefit previously not recognised | **(4)** | – |
| Effect of deferred tax benefit not recognised | **–** | 1 |
| | **2,775** | 3,832 |

* 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.

The applicable tax rate used for the reconciliations above is the corporate tax rate of 17% (2013: 17%) payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction.

The tax exemption relates to a subsidiary in Malaysia which has 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. During this period, all trading income of the subsidiary is exempt for income tax purposes.

The Malaysian statutory tax rate will be reduced to 24% from the current year's tax rate of 25%, which is effective from the year of assessment 2016, which is the year ending 31 December 2016.

## 11 Income Tax (cont'd)

The deferred tax assets and liabilities as at the balance sheet date are as follows:

| | At the beginning of the year S$'000 | (Credited)/ Debited to income statement S$'000 | At the end of the year S$'000 |
|---|---|---|---|
| **Group** | | | |
| 2014 | | | |
| Deferred tax liabilities: | | | |
| Excess of net book value of property, plant and equipment | **1,653** | **(309)** | **1,344** |
| Total deferred tax liabilities | **1,653** | **(309)** | **1,344** |
| Deferred tax assets: | | | |
| Provisions | **(9)** | **2** | **(7)** |
| Total deferred tax assets | **(9)** | **2** | **(7)** |
| Net deferred tax liabilities | **1,644** | **(307)** | **1,337** |
| 2013 | | | |
| Deferred tax liabilities: | | | |
| Excess of net book value of property, plant and equipment | 2,411 | (758) | 1,653 |
| Others | 33 | (33) | – |
| Total deferred tax liabilities | 2,444 | (791) | 1,653 |
| Deferred tax assets: | | | |
| Provisions | (70) | 61 | (9) |
| Unutilised tax losses | (188) | 188 | – |
| Total deferred tax assets | (258) | 249 | (9) |
| Net deferred tax liabilities | 2,186 | (542) | 1,644 |

As at 31 December 2014, certain subsidiaries have unutilised tax losses of approximately S$47,000 (2013: S$71,000) 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$8,000 (2013: S$12,000) have not been recognised in accordance with the accounting policy in Note 3(s).

As at 31 December 2014, no deferred tax liabilities (2013: 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 | |
|---|---|---|
| | **2014** | 2013 |
| Net profit for the year (S$'000) | **24,929** | 28,880 |

| | Group | |
|---|---|---|
| | **2014** | 2013 Restated |
| Number of ordinary shares: | | |
| Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share | **429,143,947** | 429,143,947 |
| Basic earnings per share (Singapore cents) | **5.81** | 6.73 |
| Diluted earnings per share (Singapore cents) | **5.81** | 6.73 |

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 2014 and 2013.

Earnings per share for 2013 has been restated to take into account the effects of bonus issue during the financial year ended 31 December 2014 (Note 22).

## 13 Cash and Bank Balances

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Cash on hand and at banks, and short-term bank deposit (i) | **33,543** | 28,990 | **357** | 621 |
| Fixed deposit – restricted in use (ii) | **249** | 246 | **–** | – |
| | **33,792** | 29,236 | **357** | 621 |

(i) The rate of interest for the interest earning bank accounts is between Nil and 3.35% (2013: Nil and 1.20%) per annum.

(ii) The fixed deposit is pledged as security for the banking facility granted to a subsidiary and earns interest at a rate of 3.20% (2013: 3.30%) per annum.

## 14 Trade Receivables and Other Current Assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Trade receivables: | | | | |
| Third parties | **10,646** | 18,373 | **–** | – |
| Less: Allowance for impairment losses | **(152)** | (126) | **–** | – |
| | **10,494** | 18,247 | **–** | – |
| Other receivables and deposits: | | | | |
| Subsidiaries | **–** | – | **3,410** | 5,301 |
| Third parties | **914** | 1,179 | **7** | 78 |
| Related party | **6** | 142 | **–** | 142 |
| Deposits | **606** | 335 | **308** | 308 |
| | **1,526** | 1,656 | **3,725** | 5,829 |
| Prepayments | **830** | 1,480 | **15** | 14 |
| Trade receivables and other current assets | **12,850** | 21,383 | **3,740** | 5,843 |
| Movements in allowance for impairment of trade and other receivables are as follows: | | | | |
| Balance at the beginning of the year | **126** | 136 | **–** | 20 |
| Allowance during the year | **33** | – | **–** | – |
| Effect of foreign exchange | **(7)** | (10) | **–** | – |
| Bad debts written off | **–** | – | **–** | (20) |
| Balance at the end of the year | **152** | 126 | **–** | – |

The average credit period generally granted for trade receivables is between 30 to 90 days (2013: 30 to 90 days).

Trade receivables which are impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted in payments. These trade receivables are not secured by any collateral.

The Group's trade receivables due from third parties include outstanding receivables which amounted to approximately S$7.3 million (2013: S$12.0 million) from a key customer which accounted for approximately 84% (2013: 84%) 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.

The non-trade receivables from subsidiaries and a related party, which are generally due on 30 to 60 days' terms, are unsecured, interest-free and repayable in cash.

## 15 Inventories

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Lower of cost and net realisable values: | | |
| Finished goods and goods for resale | **4,987** | 3,668 |
| Work-in-progress | **18,990** | 21,891 |
| Raw materials | **9,350** | 11,634 |
| | **33,327** | 37,193 |
| Cost of inventories sold recognised as cost of sales in the consolidated income statement | **50,255** | 55,551 |

## 16 Investments in Subsidiaries

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Unquoted equity shares, at cost | **216,213** | 216,213 |
| Less: Allowance for impairment loss | **(23,798)** | (23,798) |
| | **192,415** | 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 |

The subsidiaries held by the Company and its subsidiaries as at the balance sheet date are listed below:

| Name of subsidiaries, place of business and incorporation | Principal activities | Effective percentage of equity held by Group | | Company's cost of investment | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | **%** | % | **S$'000** | S$'000 |
| *Held by the Company* | | | | | |
| UMS Systems Pte Ltd (Singapore) | Assembly and integration of equipment and automated assembly lines | **100** | 100 | **9,561** | 9,561 |
| UMS International Pte Ltd (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 |

## 16 Investments in Subsidiaries (cont'd)

| Name of subsidiaries, place of business and incorporation | Principal activities | Effective percentage of equity held by Group 2014 % | 2013 % | Company's cost of investment 2014 S$'000 | 2013 S$'000 |
|---|---|---|---|---|---|
| *Held by the Company* (cont'd) | | | | | |
| UMS Aerospace Pte Ltd (Singapore) | Precision machining of machine parts for oilfield precision component manufacturers and other industries | **100** | 100 | **20,000** | 20,000 |
| 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 |
| | | | | **216,213** | 216,213 |
| *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 | | |

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

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

## 17 Property, Plant and Equipment

| | Freehold land S$'000 | Freehold buildings S$'000 | Capital Work-in-progress S$'000 | Leasehold Property S$'000 | Plant and equipment S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| 2014 | | | | | | |
| Cost: | | | | | | |
| At the beginning of the year | **3,322** | **14,166** | **4,309** | **7,082** | **121,588** | **150,467** |
| Effect of foreign currency exchange differences | **(60)** | **(244)** | **(80)** | **–** | **(523)** | **(907)** |
| Additions | **–** | **–** | **108** | **–** | **6,581** | **6,689** |
| Disposals/Write-off | **–** | **(300)** | **–** | **–** | **(380)** | **(680)** |
| At the end of the year | **3,262** | **13,622** | **4,337** | **7,082** | **127,266** | **155,569** |
| Accumulated depreciation: | | | | | | |
| At the beginning of the year | **–** | **1,187** | **–** | **1,547** | **104,314** | **107,048** |
| Effect of foreign currency exchange differences | **–** | **(23)** | **–** | **–** | **(299)** | **(322)** |
| Depreciation for the year | **–** | **280** | **–** | **126** | **7,116** | **7,522** |
| Disposals/Write-off | **–** | **(26)** | **–** | **–** | **(378)** | **(404)** |
| At the end of the year | **–** | **1,418** | **–** | **1,673** | **110,753** | **113,844** |
| Net book value: | | | | | | |
| At the end of the year | **3,262** | **12,204** | **4,337** | **5,409** | **16,513** | **41,725** |
| 2013 | | | | | | |
| Cost: | | | | | | |
| At the beginning of the year | 3,441 | 14,668 | 4,370 | 7,082 | 120,744 | 150,305 |
| Effect of foreign currency exchange differences | (119) | (502) | (154) | – | (771) | (1,546) |
| Additions | – | – | 93 | – | 1,901 | 1,994 |
| Disposals/Write-off | – | – | – | – | (286) | (286) |
| At the end of the year | 3,322 | 14,166 | 4,309 | 7,082 | 121,588 | 150,467 |
| Accumulated depreciation: | | | | | | |
| At the beginning of the year | – | 933 | – | 1,421 | 97,721 | 100,075 |
| Effect of foreign currency exchange differences | – | (33) | – | – | (372) | (405) |
| Depreciation for the year | – | 287 | – | 126 | 7,242 | 7,655 |
| Disposals/Write-off | – | – | – | – | (277) | (277) |
| At the end of the year | – | 1,187 | – | 1,547 | 104,314 | 107,048 |
| Net book value: | | | | | | |
| At the end of the year | 3,322 | 12,979 | 4,309 | 5,535 | 17,274 | 43,419 |

## 18 Investment Property

| | Group 2014 S$'000 | 2013 S$'000 |
|---|---|---|
| Cost | | |
| At the beginning and the end of the year | **4,877** | 4,877 |
| | | |
| Accumulated depreciation | | |
| At the beginning of the year | **2,029** | 1,809 |
| Depreciation for the year | **219** | 220 |
| At the end of the year | **2,248** | 2,029 |
| | | |
| Net book value | | |
| At the end of the year | **2,629** | 2,848 |

Investment property relates to the leasehold property held by a subsidiary under an operating lease to earn rental income. Rental income and direct operating expenses related to the investment property amounted to S$1,458,938 (2013: S$1,411,780) and S$521,461 (2013: S$509,991) respectively, for the year ended 31 December 2014.

The estimated fair value of the leasehold property amounted to S$12,000,000 (2013: S$12,000,000), classified under Level 2 of the fair value hierarchy (as defined in Note 29(b)(i)), as determined on the basis of management's review of similar properties in the market as at 31 December 2014. 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 year.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

| | Level 1 S$'000 | Level 2 S$'000 | Level 3 S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2014** | | | | |
| Leasehold property | **–** | **12,000** | **–** | **12,000** |
| | | | | |
| **2013** | | | | |
| Leasehold property | – | 12,000 | – | 12,000 |

## 19 Goodwill

| | Group 2014 S$'000 | 2013 S$'000 |
|---|---|---|
| At the beginning and the end of the year | **81,683** | 81,683 |

## 19 Goodwill (cont'd)

The goodwill was assessed for impairment as at the balance sheet date. The recoverable amount of a CGU is determined based on value in use calculations. The key assumptions for the value in use calculations are as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| 1. | Estimated discount rates using pre-tax rates that reflect current market assessments of the risks specific to the CGUs | **7.71%** | 5.02% |
| 2. | Growth rates used to calculate the terminal value based on industry growth forecasts | **–** | 2% |
| 3. | Cash flow forecasts derived from the most recent financial budgets approved by management | **5 years** | 5 years |
| 4. | Gross margin | **55%** | 50% |

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. The budgeted gross margin is based on past performance and expectations of market development.

Based on management's assessment of the recoverable amount of the CGU, no impairment on goodwill was required as at 31 December 2014 (2013: Nil).

*Sensitivity analysis*

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

## 20 Trade and Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Trade payables: | | | | |
| Third parties | **5,421** | 12,148 | **–** | – |
| Other payables: | | | | |
| Subsidiaries | **–** | – | **4,867** | 119 |
| Related party | **–** | 142 | **–** | 142 |
| Third parties | **587** | 785 | **238** | 425 |
| Accrued operating expenses | **4,408** | 5,214 | **1,938** | 2,520 |
| Deposits received | **645** | 617 | **–** | – |
| | **5,640** | 6,758 | **7,043** | 3,206 |
| Trade and other payables | **11,061** | 18,906 | **7,043** | 3,206 |

The average credit period generally taken to settle trade payables is approximately 60 days (2013: 60 days).

The amounts payable to subsidiaries and a related party are non-trade, unsecured, interest-free and repayable on demand.

## 21 Long-Term Provision

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Provision for dismantling and removing the item and restoring the site relating to leasehold and investment properties | **453** | 464 |
| Balance at the beginning of the year | **464** | 564 |
| Less: Unwinding discount of estimated liability | **(11)** | (100) |
| Balance at the end of the year | **453** | 464 |

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 agreement, 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.

## 22 Share Capital

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **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 | **343,754,327** | **136,623** | 343,754,327 | 136,623 |
| Issuance of bonus shares | **85,389,620** | **–** | – | – |
| At the end of the year | **429,143,947** | **136,623** | 343,754,327 | 136,623 |

During the financial year ended 31 December 2014, the Company issued bonus shares (the "Bonus Issue") on the basis of 1 bonus shares for every 4 existing ordinary share in the share capital of the Company held by the shareholders. The Bonus Issue was fully credited as fully paid at no cost to the entitled shareholders without capitalisation of the Company's reserves.

Ordinary shares of the Company do not have any par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

## 23 Reserves

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Foreign exchange translation reserve | **4,263** | 3,907 |

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.

## 24 Dividends

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Declared and paid during the financial year | | |
| Dividends on ordinary shares: | | |
| - Special exempt (one-tier) dividend for 2013: 1.5 cents (for 2012: Nil) per share | **5,156** | – |
| - Final exempt (one-tier) dividend for 2013: 2 cents (for 2012: 2 cents) per share | **6,875** | 6,875 |
| - Interim exempt (one-tier) dividend for 2014: 3 cents (for 2013: 3 cents) per share | **12,875** | 10,313 |
| | **24,906** | 17,188 |
| 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 2014: 1 cent (for 2013: 1.5 cents) per share | **4,291** | 5,156 |
| - Final exempt (one-tier) dividend for 2014: 2 cents (for 2013: 2 cents) per share | **8,583** | 6,875 |
| | **12,874** | 12,031 |

Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2013: Nil).

## 25 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.

## 25 Related Party Transactions (cont'd)

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. In addition to the transactions and balances disclosed elsewhere in the financial statements, related party transactions include the following:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| *Transactions with related parties* | | |
| Professional fees | **800** | 658 |
| Rental income | **19** | 48 |

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

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 | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Salaries, bonuses and related benefits | **3,702** | 3,202 |
| Defined contribution plans | **75** | 80 |
| Fees to directors | **202** | 362 |
| | **3,979** | 3,644 |
| Comprised amounts paid/payable to: | | |
| Directors of the Company* | **3,208** | 3,014 |
| Other key management personnel* | **771** | 630 |
| | **3,979** | 3,644 |

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

## 26 Capital Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Authorised and contracted but not provided for | **265** | 2,060 |

## 27 Operating Lease Commitments

*Where the Group is a lessor*

The Group leases out its investment property under non-cancellable operating leases. The lease contains escalation clauses where lease rental is negotiated for a certain period of time with an increment not exceeding a certain percentage.

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Within 1 year | **1,463** | 1,420 |
| Within 2 to 5 years | **884** | 2,937 |
| | **2,347** | 4,357 |

The remaining tenure period of the aforesaid operating lease is within 2 to 5 years (2013: 2 to 5 years).

*Where the Group is a lessee*

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

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Within 1 year | **1,507** | 1,401 |
| Within 2 to 5 years | **1,276** | 2,371 |
| After 5 years | **2,933** | 3,054 |
| | **5,716** | 6,826 |

The Company does not have any operating lease commitments as at 31 December 2014 and 2013.

## 28 Financial Information by Segments

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

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

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.

Segment information about these businesses is presented below:

**Business Segments**

| | CEM | | Semiconductor | | Total | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **Group** | | | | | | |
| Total segment sales | **719** | 7,557 | **150,550** | 156,736 | **151,269** | 164,293 |
| Inter-segment sales | **–** | (4,553) | **(41,450)** | (39,244) | **(41,450)** | (43,797) |
| Sales to external parties | **719** | 3,004 | **109,100** | 117,492 | **109,819** | 120,496 |
| **Segment results** | **199** | 805 | **27,505** | 31,907 | **27,704** | 32,712 |
| Material non-cash items include: | | | | | | |
| Allowance for inventories obsolescence, net | **–** | 21 | **26** | 888 | **26** | 909 |
| **Total assets** | **1,823** | 10,268 | **343,148** | 341,082 | **344,971** | 351,350 |
| Total assets include: | | | | | | |
| Additions to property, plant and equipment | **–** | – | **6,689** | 1,994 | **6,689** | 1,994 |
| **Total liabilities** | **–** | 2,058 | **33,098** | 37,997 | **33,098** | 40,055 |

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Total assets for reportable segments | **344,971** | 351,350 |
| Adjustment and elimination of inter-segment assets | **(138,965)** | (135,588) |
| Total assets | **206,006** | 215,762 |

## 28 Financial Information by Segments (cont'd)

**Business Segments** (cont'd)

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

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **S$'000** | S$'000 |
| Total liabilities for reportable segments | **33,098** | 40,055 |
| Adjustment and elimination of inter-segment liabilities | **(17,890)** | (15,424) |
| Total liabilities | **15,208** | 24,631 |

**Geographical Segments**

The Group operates in two principal geographical areas - Singapore (country of domicile) and the United States of America ("USA"). Other key geographical areas include People's Republic of China, Poland, Malaysia, Taiwan and South Korea.

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.

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

| | Singapore | | USA | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **Group** | | | | | | | | |
| Total sales to external parties | **60,433** | 68,473 | **22,619** | 27,166 | **26,767** | 24,857 | **109,819** | 120,496 |
| Other geographical information: | | | | | | | | |
| <u>Non-current assets:</u> | | | | | | | | |
| Property, plant and equipment | **9,339** | 11,639 | **199** | 114 | **32,187** | 31,666 | **41,725** | 43,419 |
| Investment property | **2,629** | 2,848 | **–** | – | **–** | – | **2,629** | 2,848 |
| Goodwill | **80,759** | 80,759 | **–** | – | **924** | 924 | **81,683** | 81,683 |
| | **92,727** | 95,246 | **199** | 114 | **33,111** | 32,590 | **126,037** | 127,950 |

*Information about major customers*

Included in revenues arising from semiconductor segments of S$109.1 million (2013: S$117.5 million) are revenues of approximately S$92.6 million (2013: S$100.9 million) which arose from sales to the Group's largest customer.

## 29 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 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 Company are: (a) to safeguard the Group's and 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 2013.

The Group and Company set the amount of capital in proportion to risk. The Group and 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 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 Company monitor capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities (exclude income tax payable, deferred tax liabilities and long-term provision) less cash and bank balances. Adjusted capital comprises all components of equity (i.e. share capital, reserves and retained earnings).

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Net (cash)/debt | **(22,731)** | (10,330) | **6,686** | 2,585 |
| Total equity | **190,798** | 191,131 | **189,469** | 195,606 |
| Debt-to-adjusted capital ratio | **N.M.** | N.M. | **0.035** | 0.013 |

N.M.: Not meaningful

The Group and Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

## 29 Financial Instruments (cont'd)

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

*(ii) Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. For trade receivables, the Group and Company adopts the policy of dealing only with customers with an appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and Company adopt the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on an ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level and at the Group's and Company's level by management.

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash and bank balances and trade and other receivables. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired at the balance sheet date are substantially creditworthy companies with a good collection record with the Group and the Company. An ongoing credit evaluation is performed of the debtor's financial condition and a loss from impairment is recognised in profit or loss. The carrying amount of financial assets recorded in the financial statements, grossed up for any allowance for impairment, represents the Group's and the Company's maximum exposure to credit risk.

The table below is an analysis of trade and other receivables as at the balance sheet date:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Not past due and not impaired | **10,369** | 15,177 | **3,417** | 5,451 |
| Past due but not impaired[1] | | | | |
| - Less than 30 days | **292** | 2,689 | **–** | – |
| - More than 30 days | **1,359** | 2,037 | **308** | 378 |
| | **1,651** | 4,726 | **308** | 378 |
| | **12,020** | 19,903 | **3,725** | 5,829 |
| Impaired receivables - individually assessed | **152** | 126 | **–** | – |
| Less: Allowance for impairment losses[1] | **(152)** | (126) | **–** | – |
| | **–** | – | **–** | – |
| Trade and other receivables, net | **12,020** | 19,903 | **3,725** | 5,829 |

1 The movements in the allowance for impairment during the year are set out in Note 14.

## 29 Financial Instruments (cont'd)

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

*(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 interest-bearing financial liabilities as at year end.

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.

| | Interest bearing at variable interest rates | | | |
|---|---|---|---|---|
| | Within 1 year S$'000 | Within 2 - 5 years S$'000 | Non-Interest bearing S$'000 | Total S$'000 |
| **Group** | | | | |
| 2014 | | | | |
| **Financial assets** | | | | |
| Trade and other receivables and deposits | **–** | **–** | **12,020** | **12,020** |
| Cash and bank balances | **25,883** | **–** | **7,909** | **33,792** |
| | **25,883** | **–** | **19,929** | **45,812** |
| **Financial liabilities** | | | | |
| Trade and other payables | **–** | **–** | **11,061** | **11,061** |
| 2013 | | | | |
| **Financial assets** | | | | |
| Trade and other receivables and deposits | – | – | 19,903 | 19,903 |
| Cash and bank balances | 24,390 | – | 4,846 | 29,236 |
| | 24,390 | – | 24,749 | 49,139 |
| **Financial liabilities** | | | | |
| Trade and other payables | – | – | 18,906 | 18,906 |

## 29 Financial Instruments (cont'd)

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

*(iii) Interest rate risk* (cont'd)

| | Interest bearing at variable interest rates Within 1 year S$'000 | Within 2 - 5 years S$'000 | Non-Interest bearing S$'000 | Total S$'000 |
|---|---|---|---|---|
| **Company** | | | | |
| 2014 | | | | |
| **Financial assets** | | | | |
| Trade and other receivables and deposits | **–** | **–** | **3,725** | **3,725** |
| Cash and bank balances | **314** | **–** | **43** | **357** |
| | **314** | **–** | **3,768** | **4,082** |
| **Financial liabilities** | | | | |
| Trade and other payables | **–** | **–** | **7,043** | **7,043** |
| 2013 | | | | |
| **Financial assets** | | | | |
| Trade and other receivables and deposits | – | – | 5,829 | 5,829 |
| Cash and bank balances | 599 | – | 22 | 621 |
| | 599 | – | 5,851 | 6,450 |
| **Financial liabilities** | | | | |
| Trade and other payables | – | – | 3,206 | 3,206 |

A 3% (2013: 3%) increase/(decrease) in the interest rates as at the balance sheet date, with all variables including tax rate being held constant, would result in a corresponding increase/(decrease) in profit after tax as follows:

| | Group 2014 S$'000 | Group 2013 S$'000 | Company 2014 S$'000 | Company 2013 S$'000 |
|---|---|---|---|---|
| Profit after tax | **1** | 2 | ***–** | *– |

* The amount is less than S$1,000.

## 29 Financial Instruments (cont'd)

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

*(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 Company's financial liabilities based on contractual undiscounted cash flows.

| | Carrying amount S$'000 | Contractual cash flows S$'000 | Within 1 year S$'000 | Within 2 to 5 years S$'000 |
|---|---|---|---|---|
| **Group** | | | | |
| 2014 | | | | |
| Trade and other payables | **11,061** | **11,061** | **11,061** | **–** |
| 2013 | | | | |
| Trade and other payables | 18,906 | 18,906 | 18,906 | – |
| **Company** | | | | |
| 2014 | | | | |
| Trade and other payables | **7,043** | **7,043** | **7,043** | **–** |
| 2013 | | | | |
| Trade and other payables | 3,206 | 3,206 | 3,206 | – |

(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.

## 29 Financial Instruments (cont'd)

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

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

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

| | Singapore Dollar S$'000 | Japanese Yen S$'000 | Euro S$'000 | Malaysian Ringgit S$'000 | United States Dollar S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| 2014 | | | | | | |
| **Financial assets** | | | | | | |
| Cash and bank balances | **14,698** | **6** | **–** | **1,304** | **17,784** | **33,792** |
| Trade and other receivables and deposits | **2,076** | **–** | **–** | **296** | **9,648** | **12,020** |
| | **16,774** | **6** | **–** | **1,600** | **27,432** | **45,812** |
| 2014 | | | | | | |
| **Financial liabilities** | | | | | | |
| Trade and other payables | **(5,987)** | **–** | **(9)** | **(977)** | **(4,088)** | **(11,061)** |
| **Net financial assets/(liabilities)** | **10,787** | **6** | **(9)** | **623** | **23,344** | **34,751** |
| Less: Net financial assets denominated in the respective entities' functional currencies | **(10,787)** | **–** | **–** | **(623)** | **(2,940)** | **(14,350)** |
| **Currency exposure** | **–** | **6** | **(9)** | **–** | **20,404** | **20,401** |
| 2013 | | | | | | |
| **Financial assets** | | | | | | |
| Cash and bank balances | 3,815 | 6 | – | 785 | 24,630 | 29,236 |
| Trade and other receivables and deposits | 3,291 | – | – | 24 | 16,588 | 19,903 |
| | 7,106 | 6 | – | 809 | 41,218 | 49,139 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (7,901) | – | (28) | (1,354) | (9,623) | (18,906) |
| **Net financial assets/(liabilities)** | (795) | 6 | (28) | (545) | 31,595 | 30,233 |
| Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies | 795 | – | – | 545 | (3,980) | (2,640) |
| **Currency exposure** | – | 6 | (28) | – | 27,615 | 27,593 |

## 29 Financial Instruments (cont'd)

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

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

| | Singapore Dollar S$'000 | United States Dollar S$'000 | Total S$'000 |
|---|---|---|---|
| **Company** | | | |
| 2014 | | | |
| **Financial assets** | | | |
| Cash and bank balances | **311** | **46** | **357** |
| Trade and other receivables and deposits | **3,057** | **668** | **3,725** |
| **Financial liabilities** | | | |
| Trade and other payables | **(7,043)** | **–** | **(7,043)** |
| Net financial assets | **(3,675)** | **714** | **(2,961)** |
| Less: Net financial liabilities denominated in the Company's functional currency | **3,675** | **–** | **3,675** |
| Currency exposure | **–** | **714** | **714** |
| 2013 | | | |
| **Financial assets** | | | |
| Cash and bank balances | 491 | 130 | 621 |
| Trade and other receivables and deposits | 5,062 | 767 | 5,829 |
| **Financial liabilities** | | | |
| Trade and other payables | (3,206) | – | (3,206) |
| Net financial assets | 2,347 | 897 | 3,244 |
| Less: Net financial liabilities denominated in the Company's functional currency | (2,347) | – | (2,347) |
| Currency exposure | – | 897 | 897 |

## 29 Financial Instruments (cont'd)

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

*(v) Foreign Currency Risk* (cont'd)

If the following currency strengthen by 10% (2013: 10%) against S$ as at the balance sheet date, with all other variables including tax rate being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

| | Group Increase/(Decrease) profit after tax S$'000 | Company Increase/(Decrease) profit after tax S$'000 |
|---|---|---|
| 2014 | | |
| United States dollar | **1,694** | **59** |
| 2013 | | |
| United States dollar | 2,292 | 74 |

A 10% weakening of the above currency against the S$ as at the balance sheet date 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 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:

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

(ii) 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

(iii) 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, and trade and other payables) approximate their fair values due to the relatively short-term maturity of these financial instruments.

## 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 $100,000) | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **Sure Achieve Enterprises Pte Ltd** [1] | | | | |
| Consultancy Services charges | **800** | 658 | **–** | – |
| **Kalf Engineering Pte Ltd** [2] | | | | |
| Factory rental | **19** | 48 | **–** | – |

**Notes:**

(1) Transaction above is with Sure Achieve Enterprises Pte Ltd in which Mrs Sylvia SY Lee Luong is a director. She was formerly the executive director/COO of the UMS Group and is the wife of the CEO, Mr Luong Andy. She left the Company on 6 March 2013 and continued as a consultant thereafter.

The aggregate value of IPT entered into between the Group and Sure Achieve Enterprises Pte Ltd for the year ended 31 December 2014 amounted to S$800,000 which represented approximately 0.7% of the Group's latest audited net tangible assets as at 31 December 2013.

(2) Kalf Engineering Pte Ltd is a company in which both executive directors Mr Luong Andy and Mr Stanley Loh Meng Chong have an interest.

# 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:

| | | | Net Book Value | |
|---|---|---|---|---|
| | | | **2014** | 2013 |
| **Location** | **Description** | **Tenure** | **S$'000** | S$'000 |
| 23 Changi North Crescent<br>Changi North<br>Industrial Estate<br>Singapore 499616 | Office cum factory building | 30 + 30 years lease commencing 16 August 1997 and ending 16 August 2057 | **5,409** | 5,535 |
| 25 Changi North Crescent<br>Changi North Industrial Estate<br>Singapore 499617 | Leased | 30 years lease commencing 1 February 2003 and ending 31 January 2033 | **2,629** | 2,848 |
| 1058, Jalan Kebun Baru,<br>Juru and Lot 20020,<br>Pecahan Lot 702 Mukim 13<br>14100 Simpang Ampat<br>Seberang Perai Tengah<br>Pulau Pinang, Malaysia | Office cum factory building | Freehold | **15,466** | 16,301 |

# Statistics of Shareholdings

As at 23 March 2015

| | | |
|---|---|---|
| Number of shares | : | 429,143,947 |
| Class of Equity Shares | : | Ordinary Shares |
| Number of Issued Shares | : | 429,143,947 |
| Voting Rights | : | On show of hands: 1 vote for each member<br>On a poll: 1 vote for each ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 9 | 0.17 | 237 | 0.00 |
| 100 – 1,000 | 75 | 1.46 | 45,183 | 0.01 |
| 1,001 – 10,000 | 1,637 | 31.87 | 11,100,261 | 2.59 |
| 10,001 – 1,000,000 | 3,388 | 65.97 | 177,412,359 | 41.34 |
| 1,000,001 AND ABOVE | 27 | 0.53 | 240,585,907 | 56.06 |
| **TOTAL** | **5,136** | **100.00** | **429,143,947** | **100.00** |

Based on the information provided to the Company as at 23 March 2015, approximately 79.93% 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 | 89,352,250 | 20.82 |
| 2 | DBS NOMINEES (PRIVATE) LIMITED | 31,882,960 | 7.43 |
| 3 | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 22,864,200 | 5.33 |
| 4 | CITIBANK NOMINEES SINGAPORE PTE LTD | 21,366,636 | 4.98 |
| 5 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 15,051,900 | 3.51 |
| 6 | RAFFLES NOMINEES (PTE) LIMITED | 11,993,646 | 2.79 |
| 7 | DBSN SERVICES PTE. LTD. | 7,143,900 | 1.66 |
| 8 | PHILLIP SECURITIES PTE LTD | 5,251,750 | 1.22 |
| 9 | DB NOMINEES (SINGAPORE) PTE LTD | 4,446,200 | 1.04 |
| 10 | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 4,105,250 | 0.96 |
| 11 | TAN BOON KHAK HOLDINGS PTE LTD | 2,346,000 | 0.55 |
| 12 | OCBC SECURITIES PRIVATE LIMITED | 2,243,250 | 0.52 |
| 13 | CHAN YEOK PHENG | 2,136,250 | 0.50 |
| 14 | TAN ENG YAM @TAN ENG ANN | 1,961,250 | 0.46 |
| 15 | TAN POH GHEE | 1,940,250 | 0.45 |
| 16 | HSBC (SINGAPORE) NOMINEES PTE LTD | 1,912,000 | 0.45 |
| 17 | TEOH OOI KING ONG | 1,550,000 | 0.36 |
| 18 | LEE CLEMENT | 1,500,000 | 0.35 |
| 19 | BANK OF SINGAPORE NOMINEES PTE. LTD. | 1,496,000 | 0.35 |
| 20 | NG DARIEN | 1,450,000 | 0.34 |
| | **TOTAL** | **231,993,692** | **54.07** |

# Statistics of Shareholdings

As at 23 March 2015

## Substantial Shareholders As at 23 March 2015

| 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 | – | 85,859,000 | 85,859,000 | 20.01 |

**Notes:**

(1) Based on the total issued and paid-up ordinary share capital of the Company comprising 429,143,947 Shares.

(2) Luong Andy is deemed interested in 85,859,000 shares registered in the name of UOB Kay Hian Nominees Pte Ltd.

# Further Information on Directors

| Name of Director | Date of Initial Appointment in UMS Holdings Limited | Date of Last Re-election in UMS Holdings Limited | Present and Past Directorship in other Listed Companies | Other Major Appointments |
|---|---|---|---|---|
| Soh Gim Teik | 15 February 2008 | 25 April 2012 | BBR Holdings (S) Ltd | – |
| | | | QAF Limited | – |
| | | | Craft Print International Limited (resigned on 28 Jan 2015) | – |
| Oh Kean Shen | 20 September 2007 | 25 April 2012 | – | Managing Director of:-<br>a) Limbongan Batu Maung Sdn Bhd<br>b) Pen-Marine Sdn Bhd |
| Luong Andy | 1 April 2004 | – | – | – |
| Loh Meng Chong, Stanley | 30 June 2010 | 29 April 2014 | – | – |
| Chay Yiowmin | 28 June 2013 | 29 April 2014 | Advance SCT Limited<br>8I Holdings Limited | Partner of:-<br>a) Chay & Partner<br>b) BDO LLP |

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of UMS Holdings Limited ("the Company") will be held at 25 Changi North Rise, Singapore 498778 on Thursday, 30 April 2015 at 10.00 a.m. to transact the following businesses:

## ORDINARY BUSINESS:

1. To receive and consider the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014 and 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 2014. **Resolution 2**

3. To approve the payment of a special tax-exempt (one-tier) dividend of 1.0 cent per ordinary share in respect of the financial year ended 31 December 2014. **Resolution 3**

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

   [Mr Soh Gim Teik will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Remuneration Committee and 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.] **Resolution 4**

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

   [Mr Oh Kean Shen will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and 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.] **Resolution 5**

6. To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears. (FY2014: S$192,821) **Resolution 6**

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

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

## SPECIAL BUSINESS:

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

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

   "That authority be and is hereby given to the Directors 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

   (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided that:

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

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

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

(ii) any subsequent 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 Memorandum and Articles of Association for the time being of the Company; and

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

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

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

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

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

provided that the aggregate number of ordinary shares to be issued pursuant to the Share Plans shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time."
**[Explanatory Note (ii)]** **Resolution 9**

Explanatory Notes:

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

(ii) Resolution 9 is to authorise the Directors of the Company to offer and grant options and/or grant awards and to issue ordinary shares in the capital of the Company pursuant to the UMS Share Option Scheme, UMS Performance Share Plan and UMS Restricted Share Plan (collectively the "Share Plans"). The grant of options and awards under the respective Share Plans will be made in accordance with their respective provisions. The aggregate number of ordinary shares which may be issued pursuant to the Share Plans is limited to 15% of the total number of issued shares in the capital of the Company (excluding ordinary shares held in treasury) from time to time.

## NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2015, for the purpose of determining members' entitlements to the Final Dividend of 2.0 cents per ordinary share (tax-exempt one-tier) and Special Dividend of 1.0 cent per ordinary share (tax-exempt one-tier) (the "Proposed Final and Special Dividends") to be proposed at the Annual General Meeting of the Company to be held on 30 April 2015.

Duly completed registrable transfers in respect of the shares in the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to the close of business at 5.00 p.m. on 7 May 2015 will be registered before entitlement to the Proposed Final and Special Dividends are determined. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 7 May 2015 will be entitled to such Proposed Final and Special Dividends.

The Proposed Final and Special Dividends, if approved at the forthcoming Annual General Meeting of the Company, will be paid on 28 May 2015.

**BY ORDER OF THE BOARD**

Shirley Lim Guat Hua
Company Secretary

Singapore: 7 April 2015

**Notes:**

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

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

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

**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 shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder'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 shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder 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 shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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IMPORTANT

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

# UMS Holdings Limited

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

## 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 | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 25 Changi North Rise, Singapore 498778 on Thursday, 30 April 2015 at 10.00 a.m. and at any adjournment thereof.

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

| No. | Resolutions | For | Against |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1 | To receive and consider Directors' and Auditors' Reports and Audited Accounts for the financial year ended 31 December 2014 | | |
| 2 | To approve a final tax-exempt (one-tier) dividend | | |
| 3 | To approve a special tax-exempt (one-tier) dividend | | |
| 4 | To re-elect Mr Soh Gim Teik as Director | | |
| 5 | To re-elect Mr Oh Kean Shen as Director | | |
| 6 | To approve directors' fees for the year ending 31 December 2015 | | |
| 7 | To re-appoint Auditors and authorise the directors to fix their remuneration | | |
| | **Special Business** | | |
| 8 | To authorise the directors to allot and issue shares | | |
| 9 | To authorise the directors to offer and grant options and/or grant awards and to allot and issue shares, pursuant to the UMS Share Option Scheme, UMS Performance Share Plan and UMS Restricted Share Plan | | |

Dated this ____________ day of __________________ 2015

| Total number of Shares held |
|---|
| |

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

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

**Notes:**

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

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

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

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

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

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

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

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2015.

UMS GROUP


**UMS Holdings Limited**
Company Registration No : 200100340R

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Changi North Industrial Estate
Singapore 499616

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Fax: 6542 9979

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