

UMS HOLDINGS LIMITED
(Company Registration Number 200100340R)
(Incorporated in the Republic of Singapore)

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors of UMS Holdings Limited (the “Company” and together with its subsidiaries, the Group”) would like to thank shareholders for submitting their questions in advance of the Annual General Meeting to be held by way of electronic means on 27 April 2022.

The Company and the Board wishes to provide its responses to the Questions as follows:-

Question 1

- 1a. Please update us on the status of the ongoing discussion with the Malaysian authorities on the loss of pioneer tax incentives for your UMSM Penang operations. On page 81, it was stated that the UMSM did not meet the conditions for YA2018 to YA2021. Please explain why for the 4 years the company did not take any remedial action? And is there now a timeline to resolve those issues of non-compliance? Is the company likely to also lose out on the remaining tax exemption till Aug 2027?
- 1b. What is impact in percentage terms on your net profit if the tax incentive is not granted going forward?
- 1c. On page 78 - Waiver of loans from a related party amounting to S\$3.9mil. Can you please elaborate why this loan is waived and who is this related party? Thank you

Company Response to Question 1

The tax issue affects one of our two subsidiaries in Malaysia. The other subsidiary is not affected.

We have engaged a tax consultant to assist us to resolve the matter with the Malaysian authorities. According to this tax consultant, there is a good chance to resolve this tax issue in Malaysia. One positive factor is that UMS is investing more in Penang - so we have a good chance to waive the tax penalty. We are also looking to beef up our local talent pool to meet the Malaysian government's pioneer tax incentives criteria for local talent employment. We tried to recruit more locals in Malaysia, but we faced a tough labour crunch situation as the demand for labour soared due to pandemic curbs as well as the increased competition among MNCs setting up operations in Malaysia.

In the unlikely event of our subsidiary losing its appeal, the effective tax rate going forward will be between 17-24%. The impact from the Prosperity tax however will not be significant as the Prosperity Tax applies to earnings above RM100 million.

The tax problem we have now in Malaysia is probably a one-time incident and hence unlikely to have significant impact on 2022/2023 performance.

Our Chairman and CEO Mr. Andy Luong, extended the waiver of loans by him to Kalf Engineering.

Question 2

Recently the price of Aluminum increased a lot. How much would the cost increase? Could the company increase the price of the final products to overcome the effect?

Company Response to Question 2

The rising cost of raw materials affects all industries including UMS. But this is still manageable. We work closely with our specialist metals supply subsidiary - Starke to manage supply issues.

With rising inflation and the continued strong global semicon demand, industry players are aware of cost increases. And our customers understand this and accept the situation for higher prices.

Question 3a

What are the supply chain issues? Are we affected by cost inflation?

Company Response to Question 3a

Most industries are affected by supply chain delays in view of the pandemic curbs in some countries and the global geopolitical tensions. For UMS, we are affected to a limited extent - mainly for OEM items for our IS (Integrated Systems) products. But this is still manageable. There are some minor delays only. For Components, as the raw material supplies are tight - we have to plan earlier. We also work closely with our subsidiary - Starke to manage supply issues.

Question 3b

Do you plan some capacity expansion for FY2022?

Company Response to Question 3b

Yes - our new Penang factory will be ready end of 2022 and will add another 300,000 sq feet of factory space, our current plant is 500,000 square feet.

Question 3c

What are the synergies with JEP?

Company Response to Question 3c

The acquisition of JEP has given us significant synergies. Aside from diversifying our revenue base to include aerospace (which contributed about S\$10 million in sales in FY2021), JEP provided readily available manufacturing facilities in Singapore, to support UMS' strong customer order flows - alleviating the production challenges faced in the Group's Penang campus due to the manpower crunch in Malaysia during the year.

Question 4

What is the action taken by the board to overcome the tax incentive issues in Malaysia? What is the progress now?

Company Response to Question 4

Please refer to answer of Q1.

Question 5

What if the appeal is unsuccessful, what will be the impact? and how is the board to ensure that the profit of the company remain stable?

Company Response to Question 5

As mentioned in the reply to Q1, the impact on our performance will not be significant. As always, we will do our best to remain profitable.

Question 6

What's the business impact with ongoing supply chain disruption, interest rate rise, China lockdown and Ukraine war?

Company Response to Question 6

Interest rate hikes, supply chain issues, intermittent lockdowns and the ongoing Ukraine conflict will impact all businesses - although the actual extent will vary for different businesses. For UMS, we have in place ways to work closely with our customers and business partners to manage business and operational risks.

Question 7a

What is the outlook of the semiconductor industry? Explain, if any, pressing issues that UMS is facing in the near term.

Company Response to Question 7a

The Group's order forecasts remain strong as its key customer has recently given positive guidance for FY2022. The strong momentum for its semiconductor systems continue to increase and it expects this strength to sustain into 2022.

New smart devices and innovative tech solutions as well as Artificial Intelligence ("AI") are lifting computing power to new heights. Digital acceleration of global economies arising from the ongoing virus pandemic will continue to step up chip production worldwide.

World Semiconductor Trade Statistics (WSTS) also predicted that the global semiconductor market will grow by 8.8 percent in 2022, to US\$ 601 billion, driven by double-digit growth of the sensors and logic category. All regions and all product categories are expected to continue positive growth.¹

According to SEMI, global total semiconductor manufacturing equipment market will expand to \$114 billion by 2022. Both the front-end (wafer fab) and back-end (assembly/packaging and test) semiconductor equipment segments are contributing to the global expansion.

The wafer fab equipment segment, which includes wafer processing, fab facilities, and mask/reticle equipment, is projected to expand 43.8 percent to a new industry record of \$88 billion in 2021, followed by a 12.4 percent increase in 2022 to about \$99 billion.²

IC Insights has also given a bullish outlook as it expects total semiconductor sales to grow 11% in 2022 to reach another record high of US\$680.6 billion.³

All these trends augur well for UMS despite near term challenges of inflationary pressures and global volatility caused by pandemic disruptions and geopolitical tensions.

[¹Source: Global semiconductor industry forecasts for 2022: <https://www.digitimes.com/news/a20211229VL205.html>]

[²Source: Global semiconductor manufacturing equipment sales on track to exceed \$100 billion in 2021 for first time - <https://roboticsandautomationnews.com/2021/12/28/global-semiconductor-equipment-sales-on-track-to-exceed-100-billion-in-2021-for-first-time/47888/>]

[³Source: 2022 Semiconductor Sales to Grow 11% After Surging 25% in 2021 <https://www.icinsights.com/news/bulletins/2022-Semiconductor-Sales-To-Grow-11-After-Surging-25-In-2021/>]

Question 7b

What are the advantages of UMS compare to its competitors?

Company Response to Question 7b

We have a highly integrated manufacturing process. We are qualified for more than **70 special processes and in-house gas lines fabrication** in the production of components for semiconductor equipment manufacturers. We enjoy an entrenched business relationship with our key customer, which span more than 10 years. We also have a good base of recurring income and ready capacity for growth.

Our new factory in Penang will further boost our production capacity. Our strong cash position will also allow us to take advantage of growth opportunities arising.

Question 7c

Does the management intend to reward shareholders through higher dividend payment in the future?

Company Response to Question 7c

We intend to continue to reward shareholders with quarterly dividends as per our usual practice. But the amount of dividends to be paid will be decided by the Board.

Question 8

How long is UMS contract still valid with your key customer*?

Company Response to Question 8

UMS will be seeking renewal of the IS (integrated systems) contract this year. The renewal of this contract will be for another 3-year term. We also supply other components to our key customer under contracts with no fixed duration.

[*Note: The name of our key customer has been removed in compliance with UMS' non-disclosure agreement with its key customer]

By Order of the Board

Luong Andy
Chief Executive Officer
Singapore

21 April 2022