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UMS Signs Definitive Agreement with Malaysian Aerospace Metallic Component Manufacturer

Highlights

- **UMS inked agreement to subscribe for 10% equity of All Star Fortress Sdn. Bhd. (“ASF”) enlarged shareholdings via issuance of new shares for a total consideration of RM0.145 million**
- **UMS will extend to ASF secured, interest-bearing convertible loans of up to a total of USD7.5 million, which includes USD6.7 million for ASF to strengthen its capability and expand its manufacturing capacity to meet the long term needs of aerospace customers**
- **UMS will be granted the option to convert balance loan amount into additional ordinary shares of ASF**
- **Additionally, UMS will rent its Penang premises on a commercial basis to ASF**
- **This investment is part of the Group’s strategy to diversify its revenue base beyond the semiconductor segment into another high growth sector**

SINGAPORE, 27 January 2016 – SGX Mainboard-listed UMS Holdings Limited (“UMS” or “the Group”), a strategic integration partner in manufacturing and engineering for front-end semiconductor equipment manufacturers, is pleased to announce that the Group had entered into a definitive shareholders’ agreement (“**Shareholders’ Agreement**”) with All Star Fortress Sdn. Bhd. (“ASF”), an aerospace metallic component manufacturing company which the Group had earlier signed an Memorandum of Understanding (“MOU”), with respect to UMS’ investment into ASF as well as both parties’ collaboration to grow ASF’s aerospace metallic parts manufacturing business.

Under the Shareholders' Agreement, UMS' wholly-owned subsidiary, Ultimate Machining Solutions (M) Sdn Bhd ("**Ultimate Machining Solutions**") will subscribe for approximately 10 per cent of the enlarged share capital of ASF at par value, for a total consideration of RM145,000 in cash, on a willing buyer willing seller basis. The consideration will be funded from internal sources of UMS.

Convertible Loan to ASF

Under the Shareholders' Agreement, Ultimate Machining Solutions will make available to ASF up to USD7.5 million for the following purposes:

- (a) up to USD850,000.00 for working capital purposes;
- (b) up to USD1,700,000.00 to build a special process line; and
- (c) up to USD4,950,000.00 to purchase the necessary equipment and machines for its manufacturing of metallic components.

In connection with the proposed funding by UMS, UMS and ASF have entered into a loan agreement pursuant to which UMS will loan to ASF up to USD7.5 million ("**Loan**"). The Loan is interest-bearing at interest rates between three (3) per cent per annum to five (5) per cent per annum. In addition, the Loan is secured by assets of ASF, certain assets pledged by the individual shareholders of ASF and also personal guarantee of individual shareholders of ASF.

Further, pursuant to an option subscription agreement entered into between Ultimate Machining Solutions and ASF, the Group has been granted the option to subscribe for additional ordinary shares in the capital of ASF by converting the balance Loan amount given to the ASF. The option can be exercised at any point in time after one year, up till a maximum of 20 years subject to the revenue of ASF exceeding Ringgit Malaysia Two Million (RM2,000,000.00). The equity percentage for the option shares will depend largely on the accumulated profits of the Company from 1 January 2016 up to the exercise date; the accumulated profits generated is inversely related to the amount of option shares.

Utilising of UMS' Penang's manufacturing facility

On top of providing financial support to ASF, the Group will also rent out part of its unutilized manufacturing facility to ASF on a commercial basis. Moreover, ASF will be compensating UMS for the costs and expenses incurred in providing the fixtures, fittings and basic infrastructures in the Penang's premises.

As such, the Group does not expect material capital expenditure in relation to its investment in ASF.

Commenting on the Group's latest business development, Mr. Andy Luong, Chief Executive Officer, UMS Holdings Limited said **"We are excited with the prospects of this investment. In the short term, we foresee a slight boost to profitability as we can expect some interest income and rental revenue from this collaboration. Over the longer period, we intend to work closely with ASF to expand their footprint and become a sizeable player within the aerospace industry. The Group expects it will become the major shareholder of ASF in the years to come."**

Rationale for Investment

This latest investment is part of the Group's strategy to diversify beyond its traditional semiconductor business segment in order to achieve an alternative revenue source as well as to allow the Group to venture into a high potential growth sector within the aerospace industry.

According to a report by Airbus, air traffic will grow at 4.6 per cent annually¹ in the next 20 years, requiring some 32,600 new passenger and dedicated freighter aircraft at a value of US\$4.90 trillion. The large orders backlog faced by major aircraft makers have also resulted in stronger demand in the aerospace manufacturing supply chain. Additionally, ICF Analysis, a leading research and analysis firm, had also forecasted that the aircraft annual production value is expected to reach more than US\$ 200 billion by 2024².

With the increasing trend of international aerospace players outsourcing more work as well as the Malaysian Government's efforts to further develop the local aerospace manufacturing industry, the Group believes that coupled with its support, the collaboration is in a good position to capture these strong growth potentials.

About All Star Fortress Sdn. Bhd.

ASF is an aerospace metallic component manufacturing company based in Malaysia. It was incorporated to support the local aerospace supply chain as many of the international aerospace players such as Airbus, General Electric, Honeywell, Spirit Aerosystems, SAFRAN Messier-Bugati, SR Technics, Singapore Aerospace Manufacturing, THALES, Hamilton Sundstrand and many others have manufacturing presences in Malaysia. It is also one of the 20 local companies approved under the Malaysian Government's Economic Transformation Plan (ETP) to develop the local Aerospace manufacturing industry through grants, offset program and other incentives.

The company has obtained AS9100C certification, which enables it to approach various customers through their network and connection, and establish themselves in the industry.

#End of Release#

¹ Report titled "Flying by Numbers 2015 2034" by Airbus

² Presentation titled "Aerospace Production & Supply Chain Outlook" published by ICF International on 5 October 2015

ISSUED ON BEHALF OF **UMS HOLDINGS LIMITED**
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About UMS Holdings Limited

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 Group is in the business of front-end semi-conductor equipment contract manufacturing and is also involved in complex electromechanical assembly and final testing devices. The products we offer include modular and integration system for original semiconductor equipment manufacturing. Other industries that we also support include the electronic, machine tools and oil and gas.

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