UMS GROUP

UMS Holdings Limited

ALIGNING strategies SEIZING opportunities

ANNUAL REPORT 2022

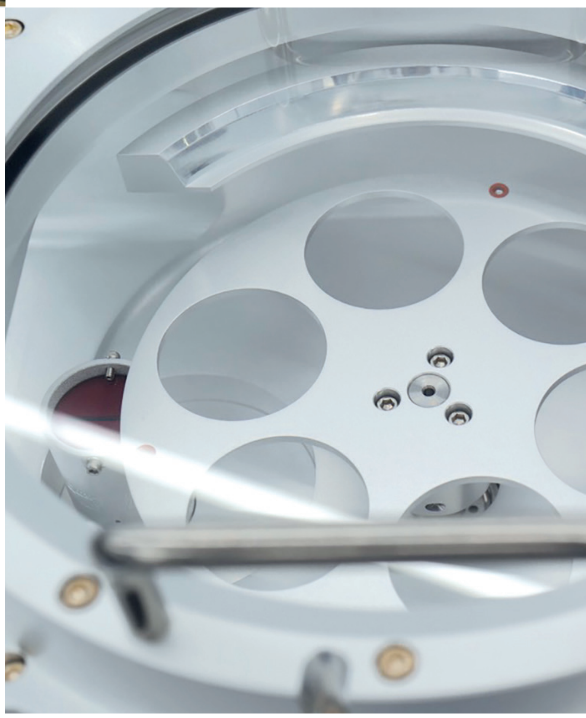
OUR VISION

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

OUR MISSION

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

CONTENTS



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 and California, USA.

CHAIRMAN AND CEO STATEMENT

FY2022 is the most profitable year in UMS' history. This was attributable mainly to strong growth of the global semiconductor equipment industry and the result of our relentless pursuit for operational excellence.

Luong Andy
Chairman and
Chief Executive Officer

Dear Shareholders,
It gives me great pleasure to present to you the Group's annual report for the financial year ended 31 December 2022 ("FY2022"). We have beaten our best ever results again – smashing all previous records to hit new highs! This exceptional performance amid tough market conditions underscores the Group's resilience and competence in managing market risks while pursuing diversified growth trajectories that provide sustainable long-term value to shareholders.

The Group achieved a record-breaking revenue of S$372 million and net profit of S$102 million during the year. This represents a 37% increase from S$271 million revenue and 77% increase from S$58 million net profit recorded in the previous year. This makes FY2022 the most profitable year in UMS' history.

The year under review also stands out in terms of corporate recognition. UMS was named in the Forbes Best Under a Billion list (2022) which recognises top-performing public companies with less than US$1 billion (S$1.38 billion) in yearly sales in the Asia-Pacific region. On October 7, 2022, UMS was also named Runner Up of the Most Transparent Company Award 2022, Technology Category in the SIAS' Investors Choice Awards 2022. We are also delighted that UMS has been added to the MSCI Global Small Cap index recently.

Sales of new semiconductor manufacturing equipment hit new high in 2022
Global sales of total semiconductor manufacturing equipment by original equipment manufacturers reach a new high of $108.5 billion in 2022, rising 5.9% from the previous industry record of $102.5 billion in 2021. The record high caps three consecutive years of record revenue. Record fab constructions have driven spending in total semiconductor manufacturing equipment. Emerging applications in multiple markets have set expectations for significant semiconductor industry growth this decade, which will necessitate further investments to expand production capacity.

Equipment sales in the foundry and logic segment, accounting for more than half of total wafer fab equipment receipts, rose 16% year-over-year to $53.0 billion in 2022 as demand for both leading-edge and mature nodes remain strong.

CHAIRMAN AND CEO STATEMENT

Business Performance

The Group recorded its highest ever annual net profit - surpassing the S$100 million mark for the very first time - on record revenue of S$372.4 million.

Net profit for FY2022 soared 77% to S$102 million while net profit before tax jumped 30% to S$103.2 million when compared to FY2021.

The sterling performance was mainly driven by the Group's strong sales, as well as a reversal of the tax provision made by its Malaysian subsidiary after the resolution of its pioneer tax incentives with the Malaysian government.

The record performance was achieved despite slightly lower gross material margin, higher expenses and foreign exchange loss (due to the US currency depreciation towards the end of the year).

Gross material margin in FY2022 eased to 49.9% from 52.8% in FY2021. This was partly due to the drop in US dollar exchange rate, higher material costs as well as lower margins from Kalf Engineering's sales.

The Group's overall costs also went up as all expense categories increased, mainly as a result of the full 12 months consolidation of JEP's results vs only 8 months in FY2021.

Sales in the Semiconductor segment rose 33%, buoyed by the robust performances of both its Semiconductor Integrated System sales, which leapt 47% from S$104.2 million in FY2021 to S$152.8 million in FY2022, and its component sales which climbed 23% from S$138.5 million in FY2021 to S$170.2 million in FY2022.

Revenue in its Aerospace segment also soared 50% while its Others segment registered a 85% hike in sales.

The Group reported significant sales growth in all its key markets. Malaysia and Others delivered the strongest growth of 73% and 87% respectively. Revenue in Singapore jumped 36% as compared to FY2021 while sales in Taiwan and US increased 40% and 12% during the period under review.

The Group's earnings per share ("EPS") for FY2022 jumped to 14.71 cents from 7.96 cents in FY2021. Group net asset value per share climbed to 51.02 cents from 42.14 cents in FY2021.

Outlook and forward strategy

Sustained global chip demand in the first nine months of the year helped lift the Group sales to record highs. In fact, we experienced higher demand for our systems and components than our existing production capacity can accommodate.

Looking ahead, the outlook for UMS in next 6 months will be softer as global chip demand is expected to ease in the near term as customers turn more cautious in the face of an economic slowdown, rising inflation and ongoing geopolitical tensions.

The Group's order book remains healthy and it will continue to expand capacity to meet customer demands.

Meanwhile, construction of the Group's new Penang factory is progressing as planned and is scheduled for completion in mid-2023. The hiring of workers is also proceeding well, thus helping to alleviate the tight labour situation in Penang.

CHAIRMAN AND CEO STATEMENT

We remain upbeat of longer-term growth prospects. Our long term outlook stays strong as we are well-poised to scale higher with our twin growth engines in semiconductors and aerospace. Both industries have bright futures and will be our key growth drivers in the years ahead.

While Gartner is forecasting total worldwide semiconductor revenue to decrease 6.5% in 2023 to $562.7 billion, the market is expected to recover in 2024, growing 16.3% to reach $654.3 billion in revenue.

According to SEMI, the worldwide semiconductor industry is projected to invest more than $500 billion in 84 volume chipmaking facilities starting construction from 2021 to 2023, with segments including automotive and high-performance computing fuelling the spending increases. The projected growth in global factory count includes a record high 33 new semiconductor manufacturing facilities starting construction in 2022 and 28 more in 2023.

SEMI also expects 300mm fab equipment spending in 2023 to be about $77 billion (-14% YoY), $94 billion (+22% YoY) in 2024 and $116 billion (+24% YoY) in 2025 respectively.

The aerospace industry is also in better shape as business and leisure travel is picking up gradually across the world including Asia as pandemic travel curbs are lifted. According to IATA, international traffic in 2022 climbed 152.7% versus 2021, reaching 62.2% of 2019 levels. This growth momentum is expected to continue into 2023. IATA also expects the global airline industry to return to profitability in 2023.

Fitch Ratings too predicts that new, large commercial aircraft (LCA) deliveries will increase by more than 20% in 2023 vs 2022.

The Group will continue active engagement with prospective customers whilst First Article inspection processes for a new customer has already commenced.

The Group plans to secure additional power supply for its new Penang factory in the coming months. The Malaysian Authorities has also given approval for the Pioneer Status incentive application of the Group's Malaysian subsidiary for an additional 5 years from 2023.

Dividend

In light of the Group's exceptional performance, UMS has proposed a final tax-exempt dividend of 2 cents per share, thus rewarding shareholders with total dividends of 5.0 cents a share in FY2022.

A Note of Thanks to our stakeholders

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

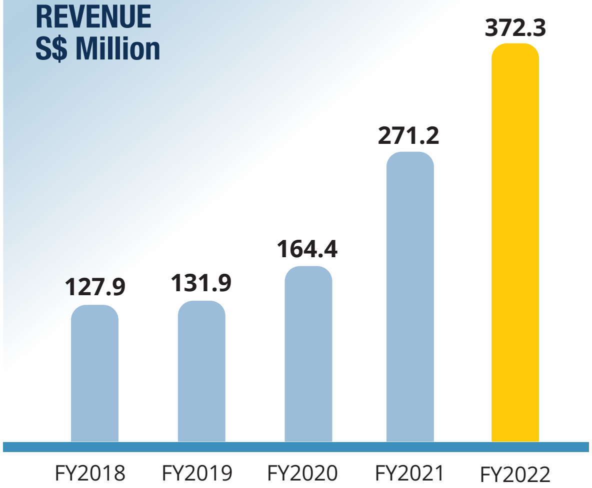
I would also like to thank the management and staff for their exceptional dedication and hard work during the challenging times.

I remain confident that our solid foundation, strong partnerships and competent team will propel the Group to greater heights.

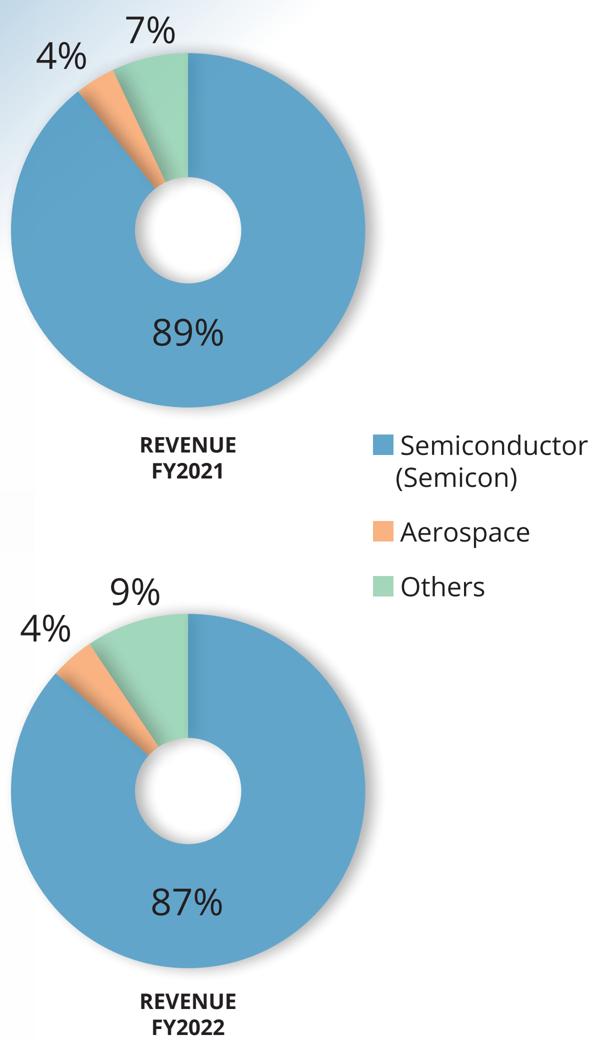
Luong Andy
Chairman and Chief Executive Officer
UMS Holdings Limited

FINANCIAL HIGHLIGHTS

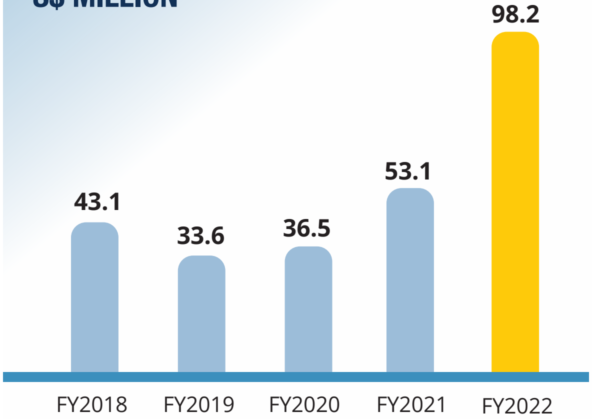
REVENUE
S$ Million



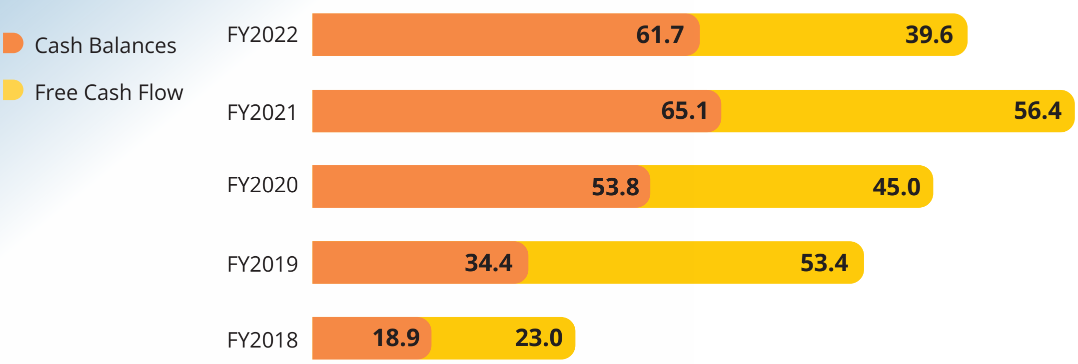
SEGMENTAL CONTRIBUTION



NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
S$ MILLION



CASH BALANCES & FREE CASH FLOW
S$ MILLION



OPERATIONS REVIEW

The year under review underscores the Group's resilience and competence in managing market risks while pursuing diversified growth trajectories that provide sustainable long-term value to shareholders. The Group has been making efforts to strengthen our vertical integration capabilities and enhance our production capacities. These initiatives prepare us to meet sudden surge in demand and cement our position as a strategic manufacturing partner to our customers.

The Group closed FY2022 with record revenue as demand for our semiconductor systems and components remains very strong in the first nine months of the year. In fact, the ramp up in demand was so sharp that we experienced higher demand for our systems and components than our existing production capacity can accommodate, especially in the integrated system segment. The UMS Team was able to respond quickly by adding new production equipment, hiring new manpower and intensified integration efforts within the Group to meet customer requirements.

REVIEW ON BUSINESS SEGMENTS

Semiconductor

The Group's semiconductor business remains the core activity of the Group. Our main strategic thrusts were all focused on this segment.

The semiconductor business comprises two key segments - component parts and integrated systems.

For the year under review the major revenue driver was the integrated systems. Semiconductor Integrated System sales leapt 47% from S$104.2 million in FY2021 to S$152.8 million in FY2022, and its component sales climbed 23% from S$138.5 million in FY2021 to S$170.2 million in FY2022.

OPERATIONS REVIEW

Global sales of total semiconductor manufacturing equipment by original equipment manufacturers reach a new high of $108.5 billion in 2022, rising 5.9% from the previous industry record of $102.5 billion in 2021. The record high caps three consecutive years of record revenue. Record fab constructions have driven spending in total semiconductor manufacturing equipment. Emerging applications in multiple markets have set expectations for significant semiconductor industry growth this decade, which will necessitate further investments to expand production capacity.

Looking ahead, the outlook for the semiconductor segment in next 6 months will be softer as global chip demand is expected to ease in the near term as customers turn more cautious in the face of an economic slowdown, rising inflation and ongoing geopolitical tensions.

The Group remains upbeat of longer-term growth prospects. According to SEMI, it expects 300mm fab equipment spending in 2023 to be about $77 billion (-14% YoY), $94 billion (+22% YoY) in 2024 and $116 billion (+24% YoY) in 2025 respectively. Total installed capacity is expected to grow 9% in 2022, 7% in 2023, 8% in 2024 and 11% in 2025.

The Group's order forecasts remains healthy and it will continue to expand capacity to meet customer demands. Meanwhile, construction of the Group's new Penang factory is progressing as planned and is scheduled for completion in mid-2023. The Group plans to secure additional power supply for its new Penang factory in the coming months.

The Group will continue active engagement with prospective customers whilst First Article inspection processes for a new customer has already commenced.

Aerospace

Revenue in its Aerospace segment soared 50% from S$10 million in FY2021 to S$15 million in FY2022.

During FY2022, the aerospace industry was in better shape than the previous year as business and leisure travel pick up gradually across the world as pandemic travel curbs are lifted. According to IATA, international traffic in 2022 climbed 152.7% versus 2021, reaching 62.2% of 2019 levels. This growth momentum is expected to continue into 2023.

The Group expects a more noticeable recovery of our Aerospace business in the second half of 2023, supported by volume production of complex and high-value-added parts from our strategic customers.

The Group has also expanded our product portfolio to meet the evolving needs of our customers.

Others

Revenue in its Others segment leaped 85% from S$19 million in FY2021 to S$35 million in FY2022.

Both Starke and JEP Industrades continue to grow both revenue and profits in FY2022. Requirement for raw material and tooling within the Group's component manufacturing operations created demand for their services. Both businesses also benefitted from the vibrant equipment manufacturing sector.

Kalf Engineering Pte Ltd ("Kalf"), our water and chemical engineering-solution company, managed to deliver fabricated systems of two projects in FY 2022. The decision to wind down the business after completing installation and commissioning of current on-hand projects remained unchanged.

FINANCIAL REVIEW

The Group achieved a record-breaking revenue of S$372 million and net profit of S$102 million during the year. This represents a 37% increase from S$271 million revenue and 77% increase from S$58 net profit recorded in the previous year. This makes FY2022 the most profitable year in UMS' history.

Net cash generated from operating activities also reached an all-time high of $92 million during the year.

Revenue

The Group delivered yet another record performance in FY2022 - registering sales surpassing $370 million for the first time!

All the Group's core business segments reported much stronger results.

Sales in the Semiconductor segment rose 33% buoyed by the robust performances of both its Semiconductor Integrated System sales - which leapt 47% from S$104.2 million in FY2021 to S$152.8 million in FY2022; and its component sales which climbed 23% from S$138.5 million in FY2021 to S$170.2 million in FY2022.

Revenue in its Aerospace segment also soared 50% while its Others segment registered a 85% hike in sales.

Geographically, all the Group's key markets achieved higher revenue growth in FY2022. Malaysia and Others delivered the strongest growth of 73% and 87% respectively. Singapore registered sales growth of 36% to hit S$258.6 million on the back of higher integrated system sales and component sales for new equipment.

Revenue in Taiwan climbed 40% vs FY2021 mainly due to higher component spares sales and the delivery of a water disinfection system during 4QFY2022 by the Group's subsidiary - Kalf Engineering. US sales improved 12% vs FY2021.

Profitability

The Group recorded its highest ever annual net profit - surpassing the S$100 million mark for the very first time.

Net profit for FY2022 soared 77% to S$102 million while net profit before tax jumped 30% to S$103.2 million when compared to FY2021.

The sterling performance was mainly driven by the Group's strong sales, as well as a reversal of the tax provision made by its Malaysian subsidiary after the resolution of its pioneer tax incentives with the Malaysian government.

The record performance was achieved despite slightly lower gross material margin, higher expenses and foreign exchange loss (due to the US currency depreciation towards the end of the year). Gross material margin in FY2022 eased to 49.9% from 52.8% in FY2021. This was partly due to the drop in US dollar exchange rate, higher material costs as well as lower margins from Kalf Engineering's sales.

The Group's overall costs also went up as all expense categories increased, mainly as a result of the full 12 months consolidation of JEP's results vs only 8 months in FY2021.

The Group's earnings per share ("EPS") for FY2022 jumped to 14.71 cents from 7.96 cents in FY2021.

Balance Sheet

Cash and Bank Balances / Bank borrowings

The net increase in cash and cash equivalents by S$1 million (after netting-off bank borrowings) was mainly due to net cash generated from operating activities partially offset by purchase of property, plant and equipment and payment of dividends during the period.

Trade and other receivables

Trade receivables and other current assets increased by S$11.5 million mainly due to advance payment to suppliers for purchase of machineries.

Inventories

The increase in inventories by S$23.6 million was mainly due to higher material purchases to manage short term supply chain uncertainties.

Trade and other payables

Trade and other payables increased slightly by S$0.7 million.

Cash Flow and Dividend

The Group generated record cash from operations in FY2022.

Net cash from operating activities surpassed S$90 million for the first time to reach S$92.4 million (vs S$66.2 million in FY2021).

Free cash flow declined 24% from S$56.4 million in FY2021 to S$39.6 million in FY2022. The Group made additional investment of S$53.5 million (S$10.0 million in FY2021) to enlarge its footprint in Penang, Malaysia, It also bought new equipment, all in anticipation of higher customers demand in the years ahead.

The Group's net cash and cash equivalents (net of bank borrowings) as at 31 Dec 2022 remained largely stable at S$31.8 million as compared to S$30.8 million as at 31 Dec 2021.

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 tax-exempt one-tier) for FY2022. This brings the total dividend proposed and declared to 5.0 Singapore cents per share which includes dividends of 1.0 Singapore cent per ordinary share already paid out in each preceding quarters from 1Q2022, 2Q2022 and 3Q2022.

FINANCIAL REVIEW

Tax

The Group made high tax provision in FY2021 as one of the Malaysia Subsidiary (Ultimate Manufacturing Solution Sdn Bhd) was unable to comply with the stipulated % of local employee criteria to achieve the pioneer tax incentive.

After much explanation, we are delighted to report that the Group's application for the reinstatement of its pioneer tax status was approved by the Malaysian Authorities. Accordingly, the Group wrote back the tax provisions.

The Malaysian Authorities has also given approval for the Pioneer Status incentive application of the Group's Malaysian subsidiary for an additional 5 years from 2023.

Investor Relations

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

Throughout the year, we actively engaged the investment community by participating in investor days with securities firms, group meetings with local and international analysts and fund managers to keep them abreast of our financial performance and business operations.

Our efforts were rewarded in FY2022

UMS was named in the Forbes Best Under a Billion list (2022) which recognises top-performing public companies with less than US$1 billion (S$1.38 billion) in yearly sales in the Asia-Pacific region. On October 7, 2022, UMS was also named Runner Up of the Most Transparent Company Award 2022, Technology Category in the SIAS' Investors Choice Awards 2022. We are also delighted that UMS has been added to the MSCI Global Small Cap index recently.

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UMS was also named Runner Up of the Most Transparent Company Award 2022, Technology Category in the SIAS' Investors Choice Awards 2022.

BOARD OF DIRECTORS

1. MR LUONG ANDY
Chairman / Chief Executive Officer

Mr Luong Andy was appointed as Chief Executive Officer of the Company in January 2005. Mr Luong previously served as Chief Operating Officer of the Company since April 2004.

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

2. MR LOH MENG CHONG, STANLEY
Executive Director

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

Mr Loh joined the Company on 5 September 2008 as the Group's Financial Controller. He brings with him over 25 years of experience in finance, accounting, treasury and auditing. Before joining the Company, he held several controllership positions in trading and manufacturing organisations.

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

3. MR CHAY YIOWMIN
Lead Independent Director

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

Mr Chay is currently the chief executive officer of Chay Corporate Advisory Pte. Ltd., a boutique corporate advisory firm. He is also the Chairman and Independent Non-Executive Director of Ntegrator International Ltd., Independent Non-Executive Director of Raffles Infrastructure Holdings Limited and Mary Chia Holdings Limited, and a Non-Executive Director of 8I Holdings Limited. Between 2013 and 2015, Mr. Chay was the Lead Independent Director of Advance SCT Limited. Mr. Chay was also a Non-Executive Director of Libra Group Limited from 2019 to 2020, and Chairman and Independent Non-Executive Director of Metech International Limited from 2019 to 2023.

Since graduating in 1998, Mr Chay has accumulated many years of public accounting experience in Singapore and the United Kingdom with a number of reputable international accounting firms, including PricewaterhouseCoopers LLP, Deloitte and Touche LLP, Moore Stephens LLP and BDO LLP, the latter of which he was the advisory partner heading the Corporate Finance Practice from 2012 to 2019. Prior to joining BDO LLP, Mr Chay was an assurance partner from 2010 to 2012, specialising in financial services and shipping.

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

BOARD OF DIRECTORS


4


5

Mr Chay currently sits on the Singapore steering committee of the Professional Risk Managers' International Association (PRMIA), and the Standards and Technical Committee of IVAS, the latter of which Mr Chay is also a programme instructor. Mr Chay is also an active Grassroots Leader, serving as Chairman of Sengkang Central Community Centre Management Committee (CCMC), Auditor of Fernvale Citizens Consultative Committee (CCC), Treasurer of Fernvale CCC Community Development and Welfare Fund, and Assistant Treasurer of Kebun Baru CCC. Mr Chay is also a member of the Kebun Baru Inter-Racial and Religious Confidence Circles. Mr Chay was awarded the Pingat Bakti Masyarakat (Public Service Medal) (PBM) by the President of the Republic of Singapore on 9 August 2016.

4. MS GN JONG YUH GWENDOLYN
Independent Director

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

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

Ms Gn is also an Independent Non-Executive Director of Mary Chia Holdings Limited.

5. DATUK PHANG AH TONG
Independent Director

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

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

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

Datuk Phang is currently the Chairman of the Malaysian Automotive, Robotics and Internet of Things Institute, Chairman of JF Technology Berhad, Chairman of Cosmos Technology International Berhad, Chairman of Novugen Pharma (Malaysia) Sdn Bhd, and Chairman of Oncogen Pharma Malaysia Sdn Bhd. Datuk Phang is also a Director in Inari Amertron Berhad, Media Prima Berhad, Apex Healthcare Berhad, and Kiswire Sdn Bhd.

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

MANAGEMENT TEAM

MR LUONG ANDY
Chief Executive Officer

Mr Luong Andy, the Founder of UMS Holdings, has been the Group's Chief Executive Officer since January 2005.

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 migrated to the USA from Vietnam in 1979 and shortly after college, started a precision machining business called Long's Manufacturing, Inc.

MR LOH MENG CHONG, STANLEY
Group Financial Controller / Senior Vice President, Operations

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

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

MR KAY TAN KIAN HONG
General Manager, Malaysia Operations

Mr Kay Tan is currently the General Manager of the Group's Malaysia operations. He assumed this role in early 2020.

Prior to the current appointment, Mr Tan was the Group's Global Account Director. Mr Tan holds overall responsibility for managing the relationship between UMS and its 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. Mr Tan joined the Group in 2007, located in Milpitas, California.

Prior to joining UMS in April 2007, Mr Tan held a number of positions with increasing responsibilities. Mr Tan started as a Trainee Supervisor in precision machining in 1989 and in 2003, re-located to California, USA as a Key Account Manager. Mr Tan brought with him more than 20 years of broad scope experience in the machining and assembly for high-tech equipment manufacturing industries and hands on experience in Project Management, Account Management, Sales and Marketing.

GROUP STRUCTURE

UMS GROUP

UMS Holdings Limited
(Singapore)

- 100% UMS Systems Pte Ltd (Singapore)
- 100% UMS Aerospace Pte Ltd (Singapore)
  - 100% Integrated Manufacturing Technologies, Inc (United States)
- 100% UMS Pte Ltd (Singapore)
  - 100% UMS Solutions Pte Ltd (Singapore)
- 100% Integrated Manufacturing Technologies Pte Ltd (Singapore)
- 100% UMS International Pte Ltd (Singapore)
  - 100% Ultimate Manufacturing Solutions (M) Sdn Bhd (Malaysia)
- 100% Ultimate Machining Solutions (M) Sdn Bhd (Malaysia)
  - 100% Allstar Manufacturing Sdn Bhd (Malaysia)
- 100% Ultimate Mechanical System Sdn Bhd (Malaysia)
- 51% Kalf Engineering Pte Ltd (Singapore)
  - 100% 浙江凯富环境治理工程有限公司 (Shaoxing, China)
- 73.85% JEP Holdings Ltd (Catalist-listed in Singapore)
  - 100% JEP Precision Engineering Pte Ltd (Singapore)
  - 100% JEP Industrades Pte Ltd (Singapore)
  - 100% Dolphin Engineering Pte Ltd (Singapore)
  - 100% Dolphin Manufacturing Solutions Sdn Bhd (Malaysia)
- 70% Starke Singapore Pte Ltd (Singapore)
  - 100% Starke Asia Sdn Bhd (Malaysia)

MILESTONES

2023

January
Added to MSCI Global Small Cap Index

2022

August
Forbes Asia Best Under a Billion (Asia Pacific Region) Winner

October
SIAS Investors' Choice Awards 2022
Most Transparent Company (Technology Catergory) Runner Up

2021

April
Increase equity stake in Catalist-listed JEP Holdings Ltd to above 50%. Made mandatory general offer to acquire all the issued and paid-up ordinary shares in JEP

May
Commence construction of new Penang factory

November
UMS market cap exceeded S$1 billion for the first time

2020

November
Starke acquired additional factory building to grow its material distribution business

2019

July
Raised equity stake in JEP Holdings Ltd to 38.7%

2018

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

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

September
Starke setup Malaysian subsidiary to grow its material distribution business

2017

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

2012

February
Completed acquisition of Integrated Manufacturing Technologies Pte Ltd and Integrated Manufacturing Technologies LLC

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

1996
Started UMS in Singapore

2004
Merger with Norelco Centreline Holdings Limited

2009

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

CORPORATE OFFICES

USA

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Website: http://www.umsgroup.com.sg

Malaysia

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Ultimate Mechanical System Sdn. Bhd.
Allstar Manufacturing Sdn. Bhd.
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Tel: (65) 6545 4222
Fax: (65) 6545 2823
Website: http://www.jep-holdings.com

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.
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Fax: (65) 6542 9979
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Website: http://www.umsgroup.com.sg

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Fax: (65) 6778 1160
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Website: http://jep.com.sg

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2 Loyang Way 4
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info@dolphin.com.sg
Website: http://www.dolphin.com.sg

CORPORATE INFORMATION

Board of Directors

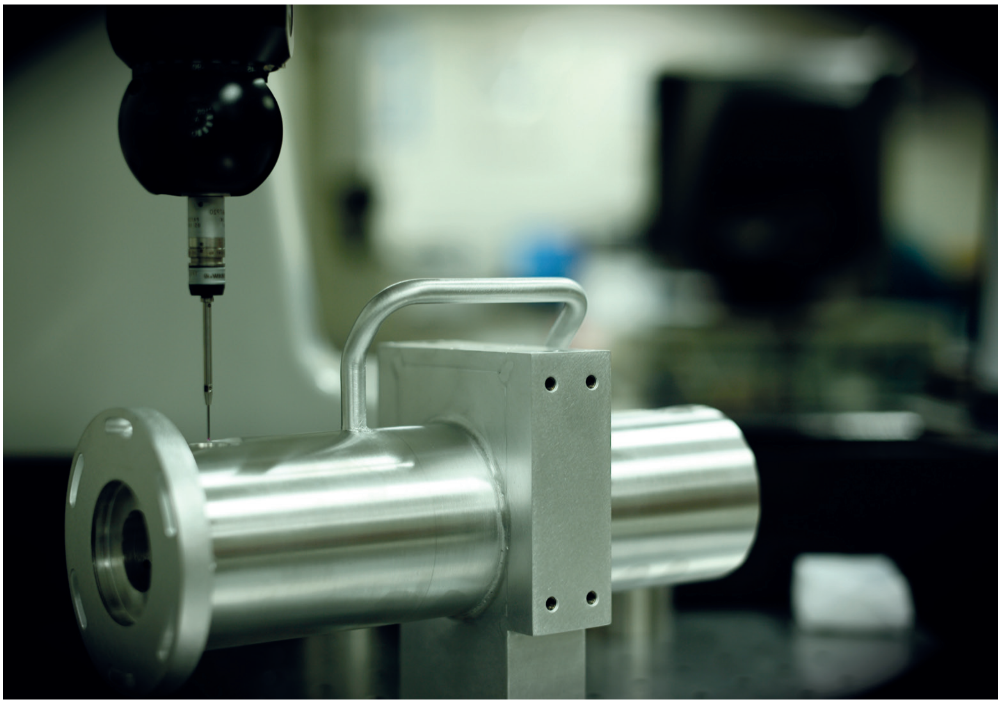
LUONG ANDY
Chairman / Chief Executive Officer

LOH MENG CHONG, STANLEY
Executive Director /
Group Financial Controller /
Senior Vice President, Operations

CHAY YIOWMIN
Lead Independent Director

GN JONG YUH GWENDOLYN
Independent Director

DATUK PHANG AH TONG
Independent Director



Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Registered Office

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

Independent Auditors

MOORE STEPHENS LLP
Public Accountants and Chartered Accountants

10 Anson Road
#29-15 International Plaza
Singapore 079903

Audit Partner-in-charge:
Neo Keng Jin
(appointed with effect from financial year ended 31 December 2018)

Share Registrar

IN.CORP CORPORATE SERVICES PTE. LTD.
30 Cecil Street, #19-08
Prudential Tower
Singapore 049712

Principal Bankers

Overseas-Chinese Banking Corporation Limited

Standard Chartered Bank

Citibank, N.A.

DBS Bank Limited

United Overseas Bank Limited

Company Secretary

Siau Kuei Lian

CORPORATE GOVERNANCE REPORT

The Board and Management of UMS Holdings Limited (the "Company") is committed to maintaining high standards of corporate governance and practices that are essential to protect the interest of shareholders. Excellence in corporate governance will not only enhance and safeguard the interest of all our shareholders; it will also foster the stability and sustainability of the Group's performance that is crucial in the building of long-term shareholders' value.

This report describes the Group's corporate governance policies and processes with reference to the Code of Corporate Governance 2018 issued in August 2018 (the 'Code'). The Board is pleased to confirm that for the financial year ended 31 December 2022, the Company has generally adhered to the principles and guidelines of the Code and any deviations will be specified in this report.

The Board's Conduct of its Affairs – Principle 1

The Board comprises five Directors at the end of the year 2022, of which three, are Independent Non-Executive 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 Board also sets the tone for the Company in respect of code of conduct, ethics, values and desired organisational culture, and also ensures proper accountability within the Group.

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.

Pursuant to the Directors' Conflicts of Interest Policy of the Company, Directors must avoid situations in which their own personal or business interests directly or indirectly conflict or potentially conflict, with the interest of the Company. Where a Director has a conflict or potential conflict of interest in relation to any matter, he/she will immediately declare his/her interest at the meeting of the Directors or send a written notice to the Chairman and/or Company Secretary, setting out the details of his/her interest and the conflict and recuse himself/herself from any discussions on the matter and abstain from participating in any Board decision.

CORPORATE GOVERNANCE REPORT

All Directors recognize that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business. 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 Non-Executive 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 half year and full year results as well as business updates of the Group for its first and third quarters. 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. All Directors are furnished with the relevant agenda and Board papers not less than a week to enable them to make informed decisions and considerations prior to the meeting.

During the current financial year, the Board met four times. The Company's Constitution provides for the meetings of the Board by means of conference telephone or similar communications equipment. The number of General Meeting, Board and Board Committee meetings held and the attendance of each board member at the meetings for the year ended 31 December 2022 are disclosed below:

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

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

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. Whenever a new Director is appointed on the Board, the Company will arrange for the First-time Director to attend Mandatory Training conducted by Singapore Institute of Directors in accordance to Rule 201(5) of the Listing Manual, at the expense of the Company, to enable him/her to discharge his/her duties effectively. No New Director was appointed in 2022. There are update sessions to inform the Directors on new legislations and/or regulations which are relevant to the Group. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on the Company's or Directors' disclosure obligations, Directors are briefed at Board meetings. The Board as a whole is updated regularly on changes to the Listing Rules and the Code, as well as on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and international financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

All the Directors are informed and encouraged to attend seminars, courses and other programs, from time to time, in order to discharge their duties as Directors. All the costs are borne by the Company. All the Directors had attended and completed the mandated sustainability training course organised by Singapore Institute of Directors and the Institute of Singapore Chartered Accountants (ISCA) as required by the enhanced SGX sustainability reporting rules announced in December 2021.

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

The Company Secretary or her representative(s) attend all Board and Board Committees meetings and prepare minutes of Board and Board Committees meetings. The Company Secretary assists the Directors in ensuring that Board procedures are followed and reviewed in accordance with the Company's Constitution so that the Board functions effectively and the relevant requirements of the Companies Act 1967 of Singapore ("Companies Act") are complied with. The Company Secretary or her representative(s) advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board.

The Directors either individually or as a group may seek independent professional advice in furtherance of their duties and costs of such service will be borne by the Company.

Board Composition and Guidance –Principle 2

Board Independence

The Board recognize the important of independence and objectivity in its decision making process. The presence of the Independent Non-Executive Directors is essential in providing unbiased and impartial opinion, advice and judgement to ensure the interest of the Group, shareholders, employees, customers and other stakeholders in which the Group conduct its businesses are well presented and taken into account.

As at 31 December 2022, the Board comprises 5 Directors, 3 of whom are Independent Non-Executive Directors. The Board, taking into account the nature and scope of the Company's businesses and the number of Board Committees' members, considers that a Board with majority of members being Independent Non-Executive is necessary. Although the Chairman is not independent, the majority of the Board is made up of Independent and Non-Executive Directors which is in compliance with provisions 2.2 and 2.3 of the Code.

The Board has adopted the Code's criteria of an independent director in its review and is of the view that all Non-Executive and Independent Directors have satisfied the criteria of independence. All Directors are required to disclose any relationship or appointment which would impair their independence to the Board on a timely basis. The NC reviews annually the independence of each Director in accordance with the Code's definition of what element constitutes an independent director. The NC has reviewed the "Confirmation of Independence" forms completed by each Independent Director and is of the view that the three Independent Directors (who represent a majority of the Board) are independent, i.e. they have no relationship with the Company, its related companies, its substantial shareholders with shareholdings of 5% or more in the voting shares of the Company, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interest of the Group, and they are able to exercise objective judgement on corporate affairs independently from the Management and the substantial shareholders with shareholder of 5% or more in the voting shares of the Company.

At the end of the financial year ended 31 December 2022, Mr Chay Yiowmin has served the Board for more than nine (9) years from the date of his appointment. In view of this, the Board has subjected his independence to a rigorous review by all Directors, with Mr Chay Yiowmin abstaining from his own review, before deciding if he should continue with the appointment. After due consideration and with the concurrence of the NC, the Board is of the view that Mr Chay Yiowmin has individually demonstrated strong independence character and judgement over the years in discharging his duties and responsibilities as an Independent Director of the Company with the utmost commitment in upholding the interests of the non-controlling shareholders. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially his invaluable knowledge of the Group and its operations gained through the years.

Taking into account of the above and also weighted the need for Board's renewal, the NC and the Board have affirmed his independence status and recommended that Mr Chay Yiowmin continues to be considered as an Independent Director, notwithstanding he has served on the Board beyond nine (9) years from the date of his first appointment. In view of the removal of the two-tier vote mechanism for Company to retain long-serving Independent Director who has served for more than nine (9) years as announced by the Singapore Exchange Regulation on 11 January 2023 and the Transitional Practice Note was published to allow the Company to have a transitional period for the Independent Director whose tenure exceeds the nine (9) years limit continue to be deemed independent until the Annual General Meeting for the financial year ending on or after 31 December 2023. The Board will comply with the new ruling, limiting the tenure of the independent directors to nine years. However, the Company will continue to retain Mr Chay Yiowmin as the Lead Independent Non-Executive Director until the conclusion of the AGM for the financial year ending 31 December 2023 to facilitate the Company to search for new Independent Non-Executive Director in order to compliance with the Listing Rules.

Board Diversity

The Company has in place a Board Diversity Policy, which endorses the principle that its Board should have a balance of skill, knowledge, experience and other aspects of diversity such as gender and age as well as to have appropriate number of Independent Non-Executive Directors to the Company's business to promote the inclusion of different perspectives and ideas, mitigate against group think and ensure that the Company has the opportunity to benefit from all available talent. Each year, the NC reviews the composition and size of the Board and each Board Committee and takes into careful consideration a combination of factors when reviewing appointments to the Board and the continuation of those appointments. These factors include skills, core competencies, knowledge, professional experience, educational background, gender, age and length of service. Core competencies, which are taken into account in the selection and appointment of Directors, include banking, finance, accounting, business acumen, management experience, technology expertise, familiarity with regulatory requirements and knowledge of risk management, audit and internal controls. The NC also in its deliberations, takes into account gender and age diversity in relation to the composition of the Board. The Board, taking into account the views of the NC, considers that its Directors meet the criteria under its Board Diversity Policy and possess the necessary competencies and knowledge to lead and govern the Company effectively. The Non-Executive Directors who are also the Independent Directors make up a majority of the Board. The Board confirmed that the Company is in compliance with the Rule 710(A) of the Listing Manual of the SGX-ST which come into effect on 1 January 2022. Nonetheless, the NC will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness, and will recommended appropriate revisions to the Board for consideration and approval.

Board Guidance

An effective and robust Board, whose members engage in open and constructive debate and challenge Management on its assumptions and proposals, is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversee effective implementation by Management to achieve set objectives. For this to happen, the Board, in particular its Independent Non-Executive Directors, must be kept well informed of the Company's businesses and be knowledgeable about the industry. To ensure that Independent Non-Executive Directors are well supported by accurate, complete and timely information, Independent Non-Executive Directors have unrestricted access to Management, the Company Secretary and external advisers (where necessary) at the Company's expense. Independent Non-Executive Directors also receive periodic information papers and Board briefings on the latest market developments and key business initiatives. Regular informal meetings are held for Management to brief Directors on prospective deals and potential developments in the early stages, before formal Board approval is sought. If a Director is unable to attend a Board or Board Committees meeting, the Director may nevertheless provide his/her comments to the Chairman or relevant Board Committees Chairman separately.

Meeting of Directors without Management

Where appropriate, the Independent Non-Executive Directors, led by the Lead Independent Director, will meet without the presence of the other Directors where applicable/necessary, and the Lead Independent Director will provide feedback to the Executive Chairman and Chief Executive Officer after such meetings.

Chairman and Chief Executive Officer – Principle 3

Mr Luong Andy is currently the Executive Chairman of the Board and also the Chief Executive Officer of the Group. The Board is of the view that accountability and independence have not been compromised despite the Chairman and Chief Executive Officer being the same person. The Chairman and Chief Executive Officer have defined responsibilities which, during his tenure so far, have not conflicted with each other. Major business proposals are discussed at Board meetings before decisions are made. As the Chairman, Mr Luong's responsibilities, among others, include the following:

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

The Chairman and Chief Executive Officer is responsible for the operations and oversees the day-to-day management of the business operations. He is instrumental in formulating strategies, business development, goals and performance targets and ensuring objectives are met.

The Board is of the view that combining the roles of Chairman and Chief Executive Officer brings about clear leadership and accountability and extensive knowledge regarding the strategic challenges and growth opportunities facing the Group. Mr Luong is the founder of the Company and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and a wide business network. The Board is of the view that the Company has benefitted from his strong leadership and entrepreneurial acumen; and that it is in the interest of the Company to continue under his visionary leadership to ensure effective implementation of the Company's strategic objectives.

Furthermore, the Chairman and Chief Executive Officer have defined responsibilities which, during his tenure so far, have not conflicted with each other. Mr Luong's roles are outlined above.

Major business proposals are discussed at Board meetings before decisions are made. The Board believes there is sufficient element of independence and adequate safeguards against a concentration of power in one single person.

In addition, the Independent Directors form the majority of the Board, numbering three out of five members of the Board. This ensures a high level of accountability, promotes an appropriate balance of power and authority and allows for independent decision-making at the Board level in keeping with the spirit of good corporate governance.

The appointment of a Lead Independent Director, Mr Chay Yiowmin adds to the independent element on the Board. The strong level of independence on the Board enables it to engage in robust decision-making, monitor results, and assess and remunerate management on its performance.

The Board believes that the Company has complied with Provision 3.1 of the Code.

Pursuant to Provision 3.3 of the Code, as the Chairman is non-independent, the Board has appointed Mr Chay Yiowmin as the Lead Independent Director and is of the view that there is sufficiently strong independent element on the Board to enable the independent exercise of objective judgement on corporate affairs of the Group by members of the Board, taking into account factors such as the number of Independent Non-Executive Directors on the Board, as well as the size and scope of the affairs and operations of the Group.

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

Board Membership – Principle 4

Composition of Nominating Committee

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

Name	Role in NC	Role In Board
Datuk Phang Ah Tong	Chairman	Independent Non-Executive Director
Mr Luong Andy	Member	Chief Executive Officer and Executive Chairman
Mr Chay Yiowmin	Member	Lead Independent Non-Executive Director
Ms Gn Jong Yuh Gwendolyn	Member	Independent Non-Executive Director

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

- Review of succession plans for Directors and make recommendations to the Board on all board appointments, retirements and re-nomination having regards to the Director's contribution and performance;
- Review and determine the independence of each Director and ensure that the Independent Non-Executive Directors make up at least half of the Board;
- Review and decide if a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, when he/she has multiple board representations; and
- Determine how the Board's performance may be evaluated, and propose objective performance criteria to assess the effectiveness of the Board as a whole.

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

Currently, the Company does not have alternate Directors.

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.

In its deliberations on the re-election of existing Directors, the NC takes into consideration the relevant Director's competency, commitment, contribution and performance (including, if applicable, his contribution and performance as a Director). The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Board Committees as well as the quality of input and contributions.

Under the Constitution of the Company, the Directors are required to retire at least once every three years. The NC assesses and recommends to the Board whether the retiring Directors are suitable for re-election. Each member of the NC is also required to abstain from voting on resolutions, making recommendations and/or participating in matters in which he/she is interested.

CORPORATE GOVERNANCE REPORT

The NC has reviewed and recommended the re-election of Mr Loh Meng Chong, Stanley and Datuk Phang Ah Tong who are retiring at the forthcoming annual general meeting to be held on 26 April 2023 ("forthcoming AGM"). The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election at the forthcoming AGM.

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

Name of Director	Loh Meng Chong, Stanley	Datuk Phang Ah Tong
Date of appointment	30 June 2010	1 October 2017
Date of last re-appointment (if applicable)	23 June 2020	28 April 2021
Age	56	66
Country of principal residence	Singapore	Malaysia
The Board's comments on the NC's recommendation for re-election	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Loh's performance as an Executive Director of the Company.	The Board has accepted the NC's recommendation, who has reviewed and considered Datuk Phang's performance as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for the overall financial, accounting, tax, treasury, corporate finance, compliance matters as well as the operations of the Group.	Non- Executive
Job title	Executive Director	Independent Non-Executive Director, Chairman of Nominating Committee and member of Audit and Remuneration Committees.
Working experience and occupation(s) during the past 10 years	Executive Director of the Company since 2010	Datuk Phang was the former Deputy Chief Executive of MIDA prior to his retirement in 2017 and had served 36 years in MIDA. During his tenure, he was responsible for promoting foreign and domestic investments and assisted in developing the manufacturing and services sectors in Malaysia
Shareholding interest in the listed issuer and its subsidiaries	Mr Loh holds 700,000 shares of the Company under his name	Nil
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil

Name of Director	Loh Meng Chong, Stanley	Datuk Phang Ah Tong
Conflict of interest (including any competing business)	Nil	Nil
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720(1))	Yes	Yes
Other Principal Commitments Including Directorships	**Other Principal Commitment:** Executive Director of UMS Holdings Ltd **Present Directorship:** UMS Aerospace Pte. Ltd. UMS International Pte. Ltd. UMS Pte. Ltd. UMS Solutions Pte. Ltd. UMS Systems Pte. Ltd. Integrated Manufacturing Technologies Pte. Ltd. Starke Singapore Pte Ltd Primebridge Partners Pte Ltd **Past Directorship (for the past 5 years):** Nil	**Other Principal Commitment:** Nil **Present Directorship:** Malaysian Automative, Robotics and Internet of Things Institute JF Technology Berhad Cosmo Technology International Berhad Novugen Pharma (Malaysia) Sdn Bhd Oncogen Pharma (Malaysia) Sdn Bhd Inari Amerton Berhad Media Prima Berhad Apex Healthcare Berhad Kiswire Sdn Bhd **Past Directorship (for the past 5 years):** Jerasia Capital Berhad United Overseas Bank Malaysia
Any prior experience as a Director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	He has been a director of the Company since 2010	He has been an Independent Non-Executive Director of the Company since 2017.
If no, please state if the Director has attended or will be attending training on the roles and responsibilities of a listed issuer as prescribed by the Exchange.	N.A.	N.A.
Please provide details of relevant experience and the NC's reasons for not requiring the Director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

Name of Director		Loh Meng Chong, Stanley	Datuk Phang Ah Tong
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any questions is "yes", full details must be given.			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

Name of Director	Loh Meng Chong, Stanley	Datuk Phang Ah Tong
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

Name of Director	Loh Meng Chong, Stanley	Datuk Phang Ah Tong
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity of business trust?	No	No

Name of Director	Loh Meng Chong, Stanley	Datuk Phang Ah Tong
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	Yes, Bursa Malaysia Securities Berhad has publicly reprimanded Jerasia Capital Berhad ("Jerasia") and eight of its directors, which Datuk Phang is one of the Independent Director of Jerasia, on 14 February 2022 for breaches of the Main Market Listing Requirements. The public reprimand was related to the defaults in payments by Jerasia's wholly-owned subsidiaries Jerasia Fashion Sdn Bhd ("JFSB"), Jerasia Apparel Sdn Bhd and Canteran Apparel Sdn Bhd. Publicly reprimanded for failing to make an immediate announcement of the lawsuit filed by the lenders against its subsidiaries and summary judgment obtained by Ambank (M) Bhd, Alliance Bank Malaysia Bhd, and also failing to make an immediate announcement of the winding-up petition filed by Ambank against JFSB in July 2021. The reprimand on Jerasia was also because they had misstated the dates of defaults in payments to Ambank, Alliance Bank, RHB Bank and Bank of China (Malaysia) Bhd. As such, Bursa Securities stated that the eight directors had breached paragraph 16.13(b) of the Main Market Listing Requirements for permitting Jerasia to commit the breaches. Datuk Phang had stepped down as an Independent Director from Jerasia on 26 April 2022 and he is not prohibited from holding other directorship.

<u>Assessment of the NC and the Board of the suitability of Datuk Phang pursuant to Rule 210(5)(b) of the Listing Rules</u>

The NC and Board (with Datuk Phang abstaining) had deliberated on the above matter, and taking into account his contributions and performance as a director of UMS, the Board is of the view that the above matter does not affect his ability and capacity to continue as a director of UMS and recommends his 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.

Please refer to the "Further Information on Directors" section in the Annual Report for key information on the Directors.

Board Performance – Principle 5

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

Based on the recommendations of the NC, the Board has established a formal assessment of the effectiveness of the Board as a whole, and of each Board Committee separately as well as the contribution by the Chairman and each individual Director to the effectiveness of the Board. The NC has also established an appraisal process to assess the performance and effectiveness of the Board as a whole, and each Board Committee separately 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, communication with key management personnel and the Directors' standards of conduct. Assessment of the Board Committees focused on size and composition of the Board and Board Committees' processes. Review of the Board and Board Committees' performance, as appropriate, is undertaken collectively by the NC annually and informally on a continual basis.

The NC is responsible for the following functions:-

- To make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors;
- To review and determine the independence of each Director;
- To make recommendations to the Board on all nominations for appointment and re-appointment of Directors;
- To implement a process for assessing the effectiveness of the Board as a whole and the contribution by each Director;
- To evaluate the independence of each Director as well as the size and composition of the Board;
- To propose the Board's performance evaluation criteria; and
- Reviewing Director training programs

No external facilitator was used in FY2022. However, if need arises, the NC has full authority to engage external facilitator to assist the NC to carry out the evaluation process at the Company's expense.

Procedures for Developing Remuneration Policies – Principle 6

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

The RC comprises the following Directors -:

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

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

The RC's responsibilities include the following:

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

Level and Mix of Remuneration – Principle 7

The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the Company successfully but companies should avoid paying more for this purpose, taking into account the strategic objectives of the company. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance. Performance-related remuneration should be aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

The RC adopts a formal procedure for fixing the remuneration packages of individual Directors and Key Management Personnel. 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 Independent Non-Executive Directors have been endorsed by the RC and the Board. Currently, the Company does not have any long-term incentive schemes.

Disclosure on Remuneration – Principle 8

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 Directors.

Independent Non-Executive Directors:

Independent 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 financial performance of the Company, effort and time spent, and responsibilities of the Directors are taken into account. Independent Non-Executive Directors are paid a basic fee and allowance for attending any additional meeting. An additional fee for serving as Chairman on any Board Committee is also being paid to Independent Non-Executive Directors. A bonus fee is also paid when the Company achieves good financial performance. The RC ensures that none of the Independent Non- Executive Directors are over-compensated to the extent that their independence may be compromised. The Directors' fees are subject to shareholders' approval at the Annual General Meeting.

Remuneration Details of the Directors

Provision 8.1 of the Code recommends that companies fully disclose the remuneration of each individual Director and Chief Executive Officer on a named basis.

The Company has disclosed the remuneration details of the Chairman and Chief Executive Officer and the non-executive directors.

The Company believes that it is in the best interests of the Company not to disclose the absolute number, the remuneration breakdown of one of its Executive Director, Mr Loh Meng Chong, Stanley and Key Management Personnel, to avoid such information being exploited by competitors and to maintain confidentiality regarding remuneration matters. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complied with Principle 8 of the Code.

The actual remuneration of Directors for the financial year ended 31 December 2022 received by the Company and its subsidiaries during the financial year are set out below:

Name of Director	Salary	Variable Bonus and Incentives	Allowances	Central Provident Fund Contribution	Directors Fees	Total
	S$	S$	S$	S$	S$	S$
Non-Executive Directors						
Below S$250,000						
Mr Chay Yiowmin	–	–	–	–	88,394	88,394
Ms Gn Jong Yuh Gwendolyn	–	–	–	–	83,495	83,495
Datuk Phang Ah Tong	–	–	–	–	83,495	83,495
Executive Directors						
S$7,250,000 to S$7,499,999						
Mr Luong Andy	932,814	5,119,317	1,286,978	20,400	–	7,359,509
S$750,000 to S$999,999						
Mr Loh Meng Chong Stanley	32%	64%	2%	2%	–	100%

Remuneration of the top five key management personnel of the Group

The breakdown remuneration of the top 5 key management personnel (who are not Directors or CEO and substantial shareholders of the Company) in percentage terms for the financial year ended 31 December 2022 are set out below:

Name of Key Management Personnel	Salary	Variable Bonus and Incentives	Allowances	Central Provident Fund Contribution	Total
	%	%	%	%	%
S$750,000 to S$999,999					
Mr Damien Luah Kian Tong	53%	42%	3%	2%	100%
S$250,000 to S$499,999					
Mr Kay Tan Kian Hong	66%	28%	6%	0%	100%
Mr Eric Zee	60%	27%	11%	2%	100%
Mr Darren Zee	40%	43%	12%	5%	100%
Mr Eddie Goh	50%	40%	5%	5%	100%

The total remuneration paid to the above key management personnel for the financial year ended 31 December 2022 was S$2.2 million.

Other than as disclosed, the Company does not have any employee who is an immediate family member of a Director or CEO and substantial shareholders, whose remuneration exceeds S$100,000 during the financial year.

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

The Company has not engaged any remuneration consultants in FY2022 and will continue to monitor the need to engage external remuneration consultants going forward and where applicable, will review the independence of the external firm before any engagement.

Risk Management and Internal Controls – Principle 9

The Group has established a system of internal controls to address the financial, operational and compliance risks of the Group. The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's overall internal control framework, and for reviewing the effectiveness, adequacy and integrity of those systems on an annual basis.

The internal control and risk management functions are performed by the Group's key management personnel and the CEO and CFO have confirmed the adequacy and effectiveness of the internal controls and risk management systems and the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances. It should be noted, in the opinion of the Board, that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The AC selects and approves the appointment of the internal auditor ("IA"). The IA function of the Group is outsourced to BDO LLP ("BDO"). The IA reports directly to the AC. The AC had reviewed and approved the internal audit plan and reviewed the results of the internal audit. The AC is satisfied that the internal audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Board, the AC and the Management to perform their internal audit review, where necessary, and have the right to seek information and explanation.

The Group's IA conduct review in accordance with the audit plans of the Group and its key internal controls, including financial, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvement are reported to Management and to the AC. The audit conducted by internal auditors will assist the AC in the assessment of and obtaining assurance on the adequacy, efficiency and effectiveness of the Group's internal control environment. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company. The AC conducted a review and concluded that the Internal Audit function is adequately resourced, effective and independent for FY2022 and is also satisfied that the IA is staffed by suitably qualified and experienced personnel.

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

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

The Company has previously commissioned a big four auditing firm 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 a review of the adequacy and effectiveness of the Group's key internal controls to the extent of their scope as laid out in their audit plan. Significant non-compliance and internal control weaknesses noted during the audit are reported to the AC together with the recommendations of the external auditors.

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, information technology controls and risk management systems (which include consideration with respect to any sanctions related risk) maintained by the Group's Management that was in place throughout the financial year up to the date of this report, is adequate and effective to meet the needs of the Group in its current business environment. The Board, together with the AC and Management has also confirmed that the Company is not aware of any sanctions-related risks or any risk of the Company being subject to sanctions for the current financial year and will continue to enhance and improve the existing internal control framework to identify and mitigate these risks as stated above.

Audit Committee – Principle 10

The AC comprises the following members:

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

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

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

- Recommend to the Board, the external auditors to be appointed and the remuneration and terms of engagement letter therein;
- Review with the internal and external auditors, the audit plan, including the nature and scope of the audit and its cost effectiveness before the audit commences;
- Review with the internal auditors and external auditors, their evaluation of the adequacy and effectiveness of the system of internal accounting controls and compliance functions;
- Review the Group's audited annual report and other quarterly financial statements and related notes and formal announcements thereto; accounting principles adopted and the external auditors' report prior to recommending to the Board for approval;
- Review the nature, scope, extent and cost effectiveness of non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors;
- Review any significant financial reporting issues, judgment and estimates made by the Management, so as to ensure the integrity of the financial statements of the Company;
- To review the cooperation given by the Management to the external auditor;
- Discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- Review the adequacy and effectiveness of the Company's material internal controls, including financial, operational and compliance controls via reviews carried out by the internal auditors; and
- Review interested party transactions on a regular basis.

In respect of the overall audit process, the AC has:-

- Provided an open avenue of communication between the external auditors, internal auditors, the Management and the Board; and
- Kept under review the scope and results of the external audit, internal audit, and their effectiveness and reported to the Board on any significant findings.

The AC is guided by its terms of reference which provides explicit authority to investigate any matters within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director and executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC has also put in place an anti-fraud policy, whereby staff and business associates of the Group may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions. The AC is responsible for oversight and monitoring whistleblowing policy. The AC has designated an independent function to investigate whistleblowing reports made in good faith and ensures that the identity of the whistleblower is kept confidential and the Group is committed to ensure protection of the whistleblower against detrimental or unfair treatment.

The AC and Board noted that no incidents in relation to whistle-blowing matters have been raised during the year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters.

The AC meets with external auditors, and with internal auditors, without the presence of the Company's Management, at least once a year.

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

CORPORATE GOVERNANCE REPORT

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

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

For FY2022, the total amount of fees in respect of statutory audit services provided by the Company's external auditors amounted to approximately S$325,000. No non-audit fee paid to external auditors in FY2022.

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

No former partner or Director of the Company's existing auditing firm or auditing corporation, within a period of 2 years from the date of his/her ceasing to be a partner of the auditing firm or Director of the auditing corporation, is appointed to the AC.

Shareholder Rights and Conduct of General Meetings – Principle 11
Engagement with Shareholders – Principle 12
Engagement with Stakeholders – Principle 13

Shareholder Rights

The Company is fully committed to treat all shareholders fairly and equitably. All shareholders enjoy specific rights under the Constitution and the relevant laws and regulations. The Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. The Company recognises that the release of timely, regular and relevant information regarding the Company's performance, progress and prospects aids shareholders in their investment decisions.

Shareholders are entitled to attend the general meetings and are accorded the opportunity to participate effectively in and vote at general meetings (including through the appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate shareholder, through its appointed representative). Shareholders are also informed of the rules, including the voting procedures that govern the general meetings. Indirect investors who hold the Company's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM.

Conduct of General Meetings

Shareholders are informed of general meetings through notices sent to all shareholders or at the shareholder's election, made available electronically. Shareholders may download the Annual Report and Notice of AGM from SGXNet as well as the Company's IR Website. The general meeting procedures provide shareholders the opportunity to raise questions relating to each resolution tabled for approval.

Shareholders or their appointed proxies are given the opportunity to vote at the general meetings of shareholders. The Company has been conducting electronic poll voting for all the resolutions passed at the general meetings of shareholders for greater transparency in the voting process. An independent external consultant is also appointed as scrutineer for the electronic poll voting process. Prior to the commencement of the general meeting of shareholders, the scrutineer would review the proxies and the proxy process. A proxy verification process agreed upon with the scrutineer is also in place. Votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders or their appointed proxies immediately after each poll conducted at the meeting. The Company maintains an audit trail of all votes cast at the general meeting of shareholders. The outcome of the general meeting of shareholders (including total numbers and percentage of votes cast for or against the resolutions) are also promptly disclosed on SGXNet on the same day after the general meeting. Each share is entitled to 1 vote. The Company currently does not provide for voting in absentia.

All Directors, including the Chairman of each of the AC, NC and RC, external auditor, senior management and legal advisors (where necessary), are present at general meetings to address queries from the meeting attendees.

The Board noted that there should be separate resolutions on each substantially separate issue that may be tabled at the general meeting. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or at least 21 clear calendar days before the meeting for special resolutions.

The Company Secretary prepare minutes of the general meetings, which capture the essence of the comments or queries from meeting attendees and responses from the Board and Management. These minutes will not be published on the Corporate website but will be made available to shareholders upon their requests.

In light of the COVID-19 pandemic, the Company's AGM 2022 was held by way of electronic means. Shareholders did not attend the AGM in person, but participated at the AGM by watching and/or listening to the proceedings via a "live" webcast. Shareholders was also given the opportunities to submit their questions related to the resolutions to be tabled for approval in advance of the AGM. The responses to those substantial and relevant questions received from shareholders were published via SGXNet before the AGM. In addition, the Company published the minutes of the AGM within one month from the AGM in accordance with the Guidance on the Conduct of General Meetings amid Evolving COVID-19 situation issued by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and SGX. All the Directors of the Company attended the AGM of the Company by way of electronic means on 27 April 2022.

With the resumption of the AGM 2023 in physical, all directors, external auditors, senior management and legal adviser (where necessary) will endeavor to be physically present at the AGM 2023 to address to the shareholders' questions.

Disclosure of Information on a Timely Basis

The Company is committed to disclosing to its shareholders as much relevant information as is possible, in a timely, accurate, fair and transparent manner.

In addition to comprehensive, accurate and timely disclosure of information that is material or that may influence the price of the Company shares on SGXNet in compliance with the requirements of the Listing Manual, the Company adopts the practice of regularly communicating major developments in its businesses and operations through the appropriate media. Such channels include news releases, annual reports, shareholder circulars, shareholders' meetings, and direct announcements.

The Company released its results for the first three quarters to shareholders no later than 45 days from the end of the quarter. Annual results are released within 60 days from the financial year-end.

Briefings to present quarterly and full-year results are held for the media and analysts.

Interaction with Shareholders

At each AGM, the Directors (including the Chairman of the respective Board committees), are in attendance to address queries and concerns about the Company. The Company's external auditor also attends to address shareholders' queries relating to the conduct of the audit and the preparation and content of the external auditor's report.

Dividend Policy

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

Over the past five years, the Group has declared total annual dividends at the rate of approximately 34% to 73% of the net profit after tax based on the audited consolidated financial statements. Any dividend payments are clearly communicated to shareholders via announcements on SGXNET.

The dividend policy of the Company aims to provide shareholders with a sustainable and progressive dividend that is consistent with the Company's long term growth.

Corporate Website

The Group adopts transparent, accountable and effective communication practices as a key means to enhance standards of corporate governance. We aim to provide clear and continuous disclosure of our corporate governance practices through efficient use of technology. The following information is made available on SGX's corporate website:

(a) Board of Directors profiles;
(b) Notice of AGM and Proxy Forms;
(c) Annual Report;
(d) Letter/Circular to Shareholders;
(e) Company announcements;
(f) Press releases; and
(g) Financial Results.

The latest Annual Report, financial and company announcements are posted on the website following their release to the market, to ensure fair dissemination to shareholders.

The Company's corporate website (www.umsgroup.com.sg) has a dedicated 'Investor Relations' link. The contact details of the Investor Relations team are available on the dedicated link to enable shareholders to contact the Company easily. Investor Relations has procedures in place for addressing investors' queries or complaints as soon as possible.

Managing Stakeholder Relationships

The Company has in place an Investor Relations Policy which sets out the process and mechanism to engage its stakeholders, including the channel of communication (as described above) for questions to be posed by shareholders and through which the Company may respond accordingly.

Through the Investor Relations team, the Company engages its shareholders, investors and analysts through investor roadshows, and participation in major investor conferences. The Company is committed to actively engaging the investment community to convey its investment proposition, as well as obtain feedback on its expectations.

The Company's approach to the engagement with key stakeholders and materiality assessment will be disclosed in the Company's Sustainability Report for FY2022, which will be uploaded on the SGXNet no later than 30 April 2023.

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

Interested Person Transactions and Material Contracts

The Company has an internal policy to deal with interested person transactions. All interested person transactions will be documented and submitted to the AC on a quarterly basis for their review and approval to ensure that the transactions are carried out at arm's length.

During the current year, there were interested person transactions involving Mr Luong Andy and Sure Achieve Consultant Pte Ltd, a company in which Mr Luong's wife, Mrs Sylvia SY Lee Luong is a shareholder and Director. 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 FY2022 or if not then subsisting, entered into since the end of the previous financial year.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

The directors present their statement to the members together with the audited consolidated financial statements of UMS Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2022, and the statement of financial position of the Company as at 31 December 2022.

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

Directors

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

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

Arrangements to Enable Directors to Acquire Shares or Debentures

Except as described in this statement, neither at the end of nor at any time during the financial year was, the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Interests in Shares or Debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares, share options, performance shares or debentures of the Company and related corporations (other than wholly-owned subsidiaries) as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act 1967 (the "Act"), except as follows:

Name of Directors and the Company	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
	as at 1.1.22	as at 31.12.22	as at 1.1.22	as at 31.12.22
UMS Holdings Limited (the Company)		**No. of Ordinary shares**		
Mr Luong Andy	–	–	109,529,686	109,529,686
Mr Loh Meng Chong Stanley	625,000	700,000	–	–
Ms Gn Jong Yuh Gwendolyn*	–	–	31,401,028	34,010,348

* Ms Gn Jong Yuh Gwendolyn is the interim trustee of "The 71 Trust" and "SY Trust" – personal trust of Mr Andy Luong, Chairman and CEO of UMS Holdings Limited and his wife respectively. As part of their estate planning measures, Mr Andy Luong and his wife have transferred a total of 34,010,348 shares in the Company to "The 71 Trust" and "SY Trust" whose key beneficiaries include his family members. Ms Gn Jong Yuh, Gwendolyn is an Independent Director of the Company.

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

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2023 except that on 11 January 2023, "The 71 Trust" and "SY Trust" each disposed 1,500,000 shares in the Company.

Options to Take Up Unissued Shares

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

Options Exercised

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

Unissued Shares Under Option

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

Audit Committee

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

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

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act 1967, including the following:

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

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

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

(d) Met with the internal and 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;

(e) Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

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

Audit Committee (cont'd)

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

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

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

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

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

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

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

Independent Auditors

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

On behalf of the Board of Directors,

LUONG ANDY

LOH MENG CHONG STANLEY

23 March 2023

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UMS Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (cont'd)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Allowance for inventory obsolescence

We refer to Note 3(h), Note 4(b) and Note 15 to the financial statements.

The carrying value of inventories amounted to S$110.7 million, which accounted for 23% of the Group's total assets as at 31 December 2022.

As at 31 December 2022, the Group has made allowance for inventory obsolescence which amounted to S$19.3 million.

Inventories are carried in the consolidated financial statements at the lower of cost and net realisable value. The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

</td><td>

Our response

We focused on this area because of the high degree of management judgement required in determining the allowance for inventory obsolescence.

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

- Evaluated the appropriateness of the Group's accounting policies on the valuation of its inventories.
- Checked and analysed the ageing of the inventories.
- Evaluated and tested management's assessment of inventories to state them at the lower of cost and net realisable value.
- Reviewed management's assessment of the allowance for inventory obsolescence, taking into consideration inventory ageing, physical condition of the inventories, past and expected future sales.

Our findings

We found management's assessment of inventory obsolescence is reasonable and in accordance with the Group's accounting policies.

</td></tr>
</table>

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
Impairment review of goodwill We refer to Note 3(b), Note 4(a) and Note 21 to the financial statements. As at 31 December 2022, the carrying amount of goodwill amounted to S$86.4 million. The Group is required to perform an impairment test on goodwill of the cash generating unit ("CGU") by comparing its carrying amount with its recoverable amount as at the current year end. The recoverable amount is determined based on value in use calculations which includes discounted cash flow projections of the CGU to which the goodwill is allocated to. The impairment test involves significant judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections. The recoverable amounts are highly sensitive to key assumptions applied in respect of gross margin, the long term growth rate and discount rate. A small change in the assumptions can have a significant impact to the estimation of the recoverable amounts. Based on the impairment test performed by management, no impairment loss was recognised during the current financial year ended 31 December 2022.	**Our response** We designed and performed the following key procedures, among others: - Conducted a detailed discussion with the Group's key management and finance key personnel and reviewed the impairment assessment process over the determination of the relevant cash generating units and estimates for forecasted revenues, growth rates, profit margin, tax rates and discount rates. - Challenged management's estimates applied in the value-in-use models based on our knowledge of the Group's business activities and trends, and compared them against historical forecasts and performance, management plans and industry benchmarks. - Evaluated the Group's planned strategies around revenue growth and cost controls and the sensitivity analysis of the possible increase or decrease in the estimated growth rates and discount rates used in the value-in-use models. **Our findings** We concluded that the identification of cash generating units was appropriate. Based on the procedures performed, we found the estimated future cash flows and the rates used to be reasonable. Based on our procedures, we noted that management's analysis and assessment, including sensitivity analysis, on the recoverability of goodwill can be supported. Furthermore, we evaluated the adequacy of the Group's disclosures regarding the impairment testing of goodwill. We found the disclosures included in Note 21 to the consolidated financial statements to be appropriate in describing the impairment assessment performed in relation to goodwill.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
23 March 2023

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2022

	Note	Group 2022 S$'000	Group 2021 S$'000
Revenue	5	**372,389**	271,220
Changes in inventories		**25,312**	16,373
Raw material purchases and subcontractor charges		**(211,949)**	(144,509)
Employee benefits expense	6	**(42,102)**	(35,261)
Depreciation expense	17,17(a),18	**(15,611)**	(12,425)
Amortisation of intangible asset	21	**(300)**	(200)
Other expenses	7	**(21,594)**	(16,795)
Other (charges)/credits	8	**(2,038)**	1,385
Finance income	9	**230**	184
Finance expense	10	**(1,121)**	(934)
Share of profit of associate	19	**–**	361
Profit before income tax		**103,216**	79,399
Income tax	11	**(1,241)**	(21,817)
Net profit for the year		**101,975**	57,582
Profit attributable to:			
Owners of the parent		**98,169**	53,103
Non-controlling interest		**3,806**	4,479
Total		**101,975**	57,582
Earnings per share			
- Basic	12	**14.71 cents**	7.96 cents
- Diluted	12	**14.71 cents**	7.96 cents

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Group	
	2022	**2021**
	S$'000	**S$'000**
Net profit for the year	**101,975**	57,582
Other comprehensive loss, net of income tax:		
Items that may be classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(4,948)**	(938)
Total comprehensive income for the year	**97,027**	56,644
Total comprehensive income attributable to:		
Owners of the parent	**93,020**	52,121
Non-controlling interest	**4,007**	4,523
	97,027	56,644

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

As at 31 December 2022

	Note	Group 2022 S$'000	Group 2021 S$'000	Company 2022 S$'000	Company 2021 S$'000
ASSETS					
Current Assets					
Cash and bank balances	13	**61,672**	65,086	**1,073**	6,273
Trade receivables and other current assets	14	**79,890**	67,177	**17,730**	12,411
Financial assets through profit or loss	14(a)	**967**	322	**967**	322
Loan to subsidiaries	20	**–**	–	**5,486**	6,337
Inventories	15	**110,666**	87,110	**–**	–
Total Current Assets		**253,195**	219,695	**25,256**	25,343
Non-Current Assets					
Investments in subsidiaries	16	**–**	–	**262,863**	260,459
Property, plant and equipment	17	**135,428**	112,115	**–**	–
Right-of-use assets	17(a)	**10,952**	14,660	**–**	–
Investment property	18	**1,497**	1,657	**–**	–
Intangible assets	21	**88,251**	88,551	**–**	–
Deferred tax assets	11	**97**	76	**–**	–
Total Non-Current Assets		**236,225**	217,059	**262,863**	260,459
Total Assets		**489,420**	436,754	**288,119**	285,802
LIABILITIES AND EQUITY					
Current Liabilities					
Bank borrowings	22	**11,549**	11,601	**9,000**	2,500
Trade and other payables	23	**57,947**	56,079	**53,269**	60,915
Loan from related parties	22	**909**	1,403	**–**	–
Lease liabilities	27	**761**	1,179	**–**	–
Income tax payable		**11,083**	19,151	**–**	157
Total Current Liabilities		**82,249**	89,413	**62,269**	63,572
Non-Current Liabilities					
Bank borrowings	22	**18,361**	22,685	**–**	–
Lease liabilities	27	**9,426**	10,159	**–**	–
Deferred tax liabilities	11	**10,611**	9,818	**–**	–
Long-term provision	24	**405**	405	**–**	–
Total Non-Current Liabilities		**38,803**	43,067	**–**	–
Total Liabilities		**121,052**	132,480	**62,269**	63,572
Capital and Reserves					
Share capital	25	**136,623**	136,623	**136,623**	136,623
Treasury shares	25(a)	**(891)**	(2,064)	**(746)**	(1,919)
Reserves	26	**(16,814)**	(11,665)	**–**	–
Retained earnings		**221,552**	156,009	**89,973**	87,526
		340,470	278,903	**225,850**	222,230
Non-controlling interest		**27,898**	25,371	**–**	–
Total Equity		**368,368**	304,274	**225,850**	222,230
Total Liabilities and Equity		**489,420**	436,754	**288,119**	285,802

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

	Attributable to owners of the Company						
	Share capital S$'000	Treasury shares S$'000	Foreign exchange translation reserve S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interest S$'000	Total S$'000
Group							
Balance at 1 January 2022	**136,623**	**(2,064)**	**(11,665)**	**156,009**	**278,903**	**25,371**	**304,274**
Net profit for the year	**–**	**–**	**–**	**98,169**	**98,169**	**3,806**	**101,975**
Other comprehensive loss - Exchange differences on translation of foreign operations	**–**	**–**	**(5,149)**	**–**	**(5,149)**	**201**	**(4,948)**
Total comprehensive income for the year	**–**	**–**	**(5,149)**	**98,169**	**93,020**	**4,007**	**97,027**
Sale of treasury shares	**–**	**1,173**	**–**	**1,883**	**3,056**	**–**	**3,056**
Dividends	**–**	**–**	**–**	**(33,385)**	**(33,385)**	**–**	**(33,385)**
Consideration paid for acquisition of non-controlling interests	**–**	**–**	**–**	**(1,124)**	**(1,124)**	**(1,480)**	**(2,604)**
Balance at 31 December 2022	**136,623**	**(891)**	**(16,814)**	**221,552**	**340,470**	**27,898**	**368,368**
Balance at 1 January 2021	136,623	(1,919)	(10,683)	127,265	251,286	1,663	252,949
Net profit for the year	–	–	–	53,103	53,103	4,479	57,582
Other comprehensive loss - Exchange differences on translation of foreign operations	–	–	(982)	–	(982)	44	(938)
Total comprehensive income for the year	–	–	(982)	53,103	52,121	4,523	56,644
Purchase of treasury shares	–	(145)	–	–	(145)	–	(145)
Dividends	–	–	–	(22,671)	(22,671)	–	(22,671)
Effect on non-controlling interests on acquisition of a subsidiary	–	–	–	(1,688)	(1,688)	19,185	17,497
Balance at 31 December 2021	136,623	(2,064)	(11,665)	156,009	278,903	25,371	304,274

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

	Note	Group 2022 S$'000	Group 2021 S$'000
Cash Flows from Operating Activities			
Profit before income tax		**103,216**	79,399
Adjustments for:			
Depreciation expense	17,17(a),18	**15,611**	12,425
Amortisation of intangible asset	21	**300**	200
Loss on deemed disposal of an associate	8	**–**	2,015
Waiver of loans from a related party	8	**–**	(3,904)
Property, plant and equipment written off	8	**2**	19
Write-back allowance for trade debts	8	**(96)**	–
Write-back allowance for non-trade debts	8	**–**	(13)
Bad debts written off (trade)	8	**–**	37
Gain on disposal of property, plant and equipment	8	**(213)**	(7)
Allowance for project loss	8	**–**	729
Allowance for inventories obsolescence	8	**647**	404
Write-back of inventories obsolescence	8	**(267)**	(3,130)
Interest income	9	**(230)**	(184)
Interest expense	10	**1,121**	934
Inventories written down	8	**–**	3,303
Share of profit of associate	19	**–**	(361)
Fair value loss/(gain) on financial assets through profit and loss	8	**698**	(7)
Fair value adjustment on inventories arising from acquisition of a subsidiary	8	**1,500**	2,000
Unrealised foreign exchange loss/(gain)		**3**	(226)
Operating cash flows before working capital changes		**122,292**	93,633
Changes in working capital:			
Decrease/(Increase) in trade receivables and other current assets		**2,192**	(29,966)
Increase in inventories		**(25,436)**	(17,001)
Increase in trade and other payables		**1,294**	23,966
Cash generated from operations		**100,342**	70,632
Income tax paid		**(7,963)**	(4,470)
Net cash generated from operating activities		**92,379**	66,162

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

	Note	Group 2022 S$'000	Group 2021 S$'000
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		**770**	183
Purchase of property, plant and equipment (Note A)		**(53,520)**	(9,977)
Investment in quoted shares	14(a)	**(1,343)**	(315)
Consideration paid for acquisition of non-controlling interests		**(2,604)**	(15,402)
Improvement to investment property	18	**–**	(65)
Interest received		**230**	184
Net cash inflow on acquisition of a subsidiary	16	**–**	4,367
Net cash used in investing activities		**(56,467)**	(21,025)
Cash Flows from Financing Activities			
Proceeds from bank borrowings		**35,917**	25,000
Repayment of bank borrowings		**(40,318)**	(33,634)
Interest paid	10	**(623)**	(489)
		(40,941)	(34,123)
Sale/(Purchase) of treasury shares	25(a)	**3,056**	(145)
Repayment of loan from related parties		**(529)**	–
Repayment of lease liabilities	17(a)	**(1,801)**	(1,515)
Dividends paid	28	**(33,385)**	(22,671)
Net cash used in financing activities		**(37,683)**	(33,454)
Net (decrease)/increase in cash and cash equivalents		**(1,771)**	11,683
Cash and cash equivalents at the beginning of the year		**65,086**	53,787
Net effect of exchange rate changes on the balances of cash and cash equivalents held in foreign currencies		**(1,643)**	(384)
Cash and cash equivalents at the end of the year	13	**61,672**	65,086

The reconciliation of purchase of property, plant and equipment ("PPE") is presented below:

	Group 2022 S$'000	Group 2021 S$'000
Note A		
Purchase of property, plant and equipment		
Total additions	**38,533**	9,977
Add: Movement in down-payment to suppliers of property, plant and equipment	**14,987**	–
Net cash outflow in the financial year	**53,520**	9,977

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

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

		Cash flow		Non-cash changes					
	1 January	Proceeds	Repayment	Foreign currency exchange	Interest expenses	Acquisition of subsidiary	Waiver of loans from a related party	Addition	31 December
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2022									
Bank borrowings	**34,286**	**35,917**	**(40,941)**	**25**	**623**	**–**	**–**	**–**	**29,910**
Lease liabilities (Current and Non-Current Liabilities)	**11,338**	**–**	**(1,801)**	**(22)**	**463**	**–**	**–**	**209**	**10,187**
Loan from related parties (Current Liabilities)	**1,403**	**–**	**(529)**	**–**	**35**	**–**	**–**	**–**	**909**
	47,027	**35,917**	**(43,271)**	**3**	**1,121**	**–**	**–**	**209**	**41,006**
2021									
Bank borrowings	15,710	25,000	(34,123)	(326)	489	27,536	–	–	34,286
Lease liabilities (Current and Non-Current Liabilities)	4,515	–	(1,515)	–	410	7,928	–	–	11,338
Loan from related parties (Non-current Liabilities)	3,835	–	–	34	35	–	(3,904)	–	–
Loan from related parties (Current Liabilities)	1,403	–	–	–	–	–	–	–	1,403
	25,463	25,000	(35,638)	(292)	934	35,464	(3,904)	–	47,027

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 to the financial statements.

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

The financial statements for the financial year ended 31 December 2022 were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

2 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)").

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

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

3 Summary of Significant Accounting Policies

(a) Basis of Consolidation

Subsidiaries

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

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

3 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

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.

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

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

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

Change in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

(b) Goodwill on Consolidation

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous held equity interest in the acquiree over (ii) the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

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

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

3 Summary of Significant Accounting Policies (cont'd)

(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.

(d) Investment in an Associate

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(e) Property, Plant and Equipment

Measurement

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

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	-	3 to 60 years or the term of the lease, whichever is shorter
Plant and equipment	-	1 to 12 years

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

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

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)

(f) Investment Property

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

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

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

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

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

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

(g) Cash and Cash Equivalents

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

(i) Impairment of Non-financial Assets Excluding Goodwill

Non-financial assets excluding goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

3 Summary of Significant Accounting Policies (cont'd)

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in profit or loss unless the asset is carried at revalued amount. In this case, such impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

(j) Offsetting Financial Instruments

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

(k) Financial Assets

(i) *Classification and measurement*

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

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

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

(ii) *Initial Recognition*

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

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

Financial assets measured at amortised costs are presented as "cash and bank balances", "trade receivables and other current assets (excluding prepayments and advance and down-payment to suppliers)" and "loan to subsidiaries" on the balance sheets.

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

(iii) *Subsequent Measurement*

i. Debt instruments

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

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

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

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

Debt instruments mainly comprise cash and bank balances and trade and other receivables (including loan to subsidiaries) measured at amortised cost.

ii. Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other credits/charges", except for those equity securities which are not held for trading.

iv. *Recognition and derecognition*

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(k) Financial Assets (cont'd)

iv. *Recognition and derecognition (cont'd)*

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income.

v. *Impairment*

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

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

vi. *Credit-impaired financial assets*

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

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

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

vii. *Write-off policy*

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

3 Summary of Significant Accounting Policies (cont'd)

(l) Borrowing Costs

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

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

(m) Financial Liabilities

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

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

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

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

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3 Summary of Significant Accounting Policies (cont'd)

(n) Provisions (cont'd)

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

(o) Employee Benefits

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

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

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

(p) Share Capital

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

(q) Treasury Shares

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of the earnings of the Company.

When treasury shares are subsequently sold or re-issued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

(r) Dividends to Company's Shareholders

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

(s) Revenue Recognition

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

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

3 Summary of Significant Accounting Policies (cont'd)

(s) Revenue Recognition (cont'd)

(i) *Sale of goods and services*

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

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

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

(ii) *Rental income*

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

(iii) *Interest income*

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

(t) Leases

(i) *When the Group is the lessor:*

Leases of investment properties 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 income on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

Sub-lease arrangements where the Group acts as an intermediate lessor are classified as finance or operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset. Where the Group has applied the short-term exemptions to the head lease, then the sub-lease will be classified as an operating lease.

3 Summary of Significant Accounting Policies (cont'd)

(t) Leases (cont'd)

(ii) *When the Group is the lessee:*

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment with average tenure of between 2 and 60 years. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities.

The Group presents its right-of-use assets as "Right-of-use assets" and lease liabilities in "Lease liabilities" in the balance sheets.

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

3 Summary of Significant Accounting Policies (cont'd)

(t) Leases (cont'd)

(ii) *When the Group is the lessee: (cont'd)*

Lease liabilities are measured at amortised cost, and are remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- There is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

Short-term lease and lease of low-value assets

The Group applies the short-term leases recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payment on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(u) 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.

3 Summary of Significant Accounting Policies (cont'd)

(u) Income Tax (cont'd)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

Current and deferred tax for the year

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

3 Summary of Significant Accounting Policies (cont'd)

(v) Foreign Currencies

Functional and presentation currency

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

Transactions and balances

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

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

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

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

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

Translation of Group entities' financial statements

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

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

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and

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

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

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

3 Summary of Significant Accounting Policies (cont'd)

(v) Foreign Currencies (cont'd)

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

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.

(w) 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.

(x) 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);

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

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

3 Summary of Significant Accounting Policies (cont'd)

(y) Government Grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately under "other charges" in the consolidated income statement.

(z) Intangible Assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The intangible asset pertains to customer relationship acquired through acquisition of a subsidiary. It is amortised on a straight-line basis over its useful life. Management has assessed the estimated useful life to be 8 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis, in the profit or loss.

4 Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Key Sources of Estimation Uncertainty

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

Useful lives of property, plant and equipment and investment property

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment and investment property. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and investment property of a similar nature and function. It could change significantly as a result of technical innovations and competitor actions. Management will increase the depreciation charge where the useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

4 Critical Accounting Estimates and Judgements (cont'd)

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

Useful lives of property, plant and equipment and investment property (cont'd)

There is no change in the estimated useful lives of property, plant and equipment and investment property during the financial year. The carrying amounts of property, plant and equipment and investment property of the Group as at 31 December 2022 amounted to S$135,428,000 (2021: S$112,115,000) and S$1,497,000 (2021: S$1,657,000) respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximate 1% (2021: 1%) change in the Group's net profit for the year. Further details are given in Notes 17 and 18 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment on goodwill is recognised during the financial years ended 31 December 2022 and 2021. The carrying amount of goodwill amounted to S$86,351,000 (2021: S$86,351,000) as at 31 December 2022. Further details are given in Note 21 to the financial statements.

Impairment of investments in subsidiaries

The Company follows the guidance of SFRS(I) 1-36 in determining the recoverability of their investments in subsidiaries.

This requires assessment as to whether the carrying amount of their investments in subsidiaries can be supported by the net present value of future cash flows derived from such investments using cash flow projections which have been discounted at an appropriate rate. This determination requires significant judgement and the Company determines forecasts of future cash flows based on its estimates of future revenues and operating expenses using historical and industry trends, general market conditions, forecasts and other available information.

No impairment loss for investment in subsidiaries is recognised during the financial years ended 31 December 2022 and 2021. Further details are given in Note 16 for investments in subsidiaries to the financial statements.

Impairment of loan and receivables

As at 31 December 2022, the trade and other receivables (excluding prepayments and advance and down-payment to suppliers and including loan to subsidiaries) of the Group and the Company as at 31 December 2022 amounted to S$51,362,000 (2021: S$56,457,000) and S$23,193,000 (2021: S$18,726,000) (Notes 14 and 20) respectively.

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

4 Critical Accounting Estimates and Judgements (cont'd)

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

Impairment of loan and receivables (cont'd)

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

Write-back allowance for trade debts of S$96,000 (2021: Write-back allowance for non-trade debts of S$13,000) has been recognised during the financial year ended 31 December 2022 (Note 14).

The Group's and the Company's credit risk exposure for loan and receivables are set out in Note 33(a)(ii) to the financial statements.

(b) Critical Judgements in applying Accounting Policies

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

Allowance for inventories obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Allowances are recorded against the inventories based on historical obsolescence of slow-moving inventories.

During the financial year ended 31 December 2022, the Group recognised an allowance for project loss of Nil (2021: S$729,000), an allowance for stock obsolescence of S$647,000 (2021: S$404,000), a write-back of allowance for stock obsolescence of $267,000 (2021: S$3,130,000) and a write-down of inventories of Nil (2021: S$3,303,000) (Notes 8 and 15).

5 Revenue

	Group 2022 S$'000	Group 2021 S$'000
Sale of goods and services	**371,771**	270,826
Rental income	**618**	394
	372,389	271,220

Disaggregation of revenue from contracts with customers

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

	Group 2022 S$'000	Group 2021 S$'000
Singapore	**258,552**	189,914
USA	**35,377**	31,481
Taiwan	**39,184**	27,990
Malaysia	**19,979**	11,517
Others	**19,297**	10,318
Total	**372,389**	271,220

Contract liabilities

	31 December 2022 S$'000	31 December 2021 S$'000	1 January 2021 S$'000
- Customised equipment contracts (Note 23)	**1,899**	9,351	3,327

5 Revenue (cont'd)

Contract liabilities (cont'd)

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

	Group	
	2022	2021
	S$'000	S$'000
Revenue recognised in current year that was included in the contract liabilities balance at the beginning of the year	**7,805**	314
Billings/cash received, excluding amounts recognised as revenue during the year	**353**	6,338

No significant revenue is recognised during the financial year ended 31 December 2022 from performance obligations satisfied (or partially satisfied) in the previous periods, due to changes in transaction price.

There is no contract which includes a significant financing component.

Transaction price allocated to contracts with remaining performance obligations

	Group	
	2022	2021
	S$'000	S$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December	**4,635**	12,806

Management expects the transaction price of S$4,635,000 (2021: S$12,806,000) allocated to the unsatisfied performance obligations as of 31 December 2022 to be recognised as revenue during the next financial year. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal, if any.

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

6 Employee Benefits Expense

	Group	
	2022	2021
	S$'000	S$'000
Salaries and wages	**(29,743)**	(24,124)
Expenses on executive bonus plan to key management personnel	**(8,771)**	(8,327)
Contributions to defined contribution plans	**(3,588)**	(2,810)
	(42,102)	(35,261)

7 Other Expenses

	Group	
	2022	2021
	S$'000	S$'000
The major components include the following:		
Utilities	**(6,094)**	(4,787)
Upkeep of machinery	**(3,025)**	(2,378)
Freight charges	**(2,904)**	(1,822)
Legal and professional fees	**(963)**	(1,050)
Consultancy fees	**(3,043)**	(2,220)
Auditor's remuneration		
- Company's auditors	**(325)**	(316)
- Other auditors (network firm)	**(22)**	(24)
Non-audit fees		
- Other auditors (network firm)	**(3)**	–
- Other auditors (non-network firm)	**(31)**	(41)
Tax fees	**(62)**	(63)
Upkeep of properties	**(1,688)**	(1,068)
Insurance	**(804)**	(608)
Property tax	**(726)**	(577)
Others	**(1,904)**	(1,841)
	(21,594)	(16,795)

8 Other (Charges)/Credits

	Group	
	2022	2021
	S$'000	S$'000
Write-back allowance for non-trade debts (Note 14)	**–**	13
Write-back allowance for trade debts (Note 14)	**96**	–
Property, plant and equipment and investment property written off	**(2)**	(19)
Inventories written down	**–**	(3,303)
Allowance for project loss	**–**	(729)
Allowance for inventories obsolescence	**(647)**	(404)
	(647)	(1,133)
Write-back of inventories obsolescence	**267**	3,130
Loss on deemed disposal of an associate	**–**	(2,015)
Waiver of loans from a related party	**–**	3,904
Fair value adjustment on inventories arising from acquisition of a subsidiary	**(1,500)**	(2,000)
Foreign exchange (losses)/gains – net	**(272)**	1,971
Gain on disposal of property, plant and equipment	**213**	7
Bad debts written off	**–**	(37)
Fair value (loss)/gain on financial assets through profit or loss	**(698)**	7
Government grants	**196**	469
Others	**309**	391
	(2,038)	1,385

9 Finance Income

	Group	
	2022	2021
	S$'000	S$'000
Interest income from cash and cash equivalents	**230**	184

10 Finance Expense

	Group	
	2022	2021
	S$'000	S$'000
Interest expense		
- bank borrowings	**(623)**	(489)
- loans from related parties	**(35)**	(35)
- lease liabilities (Note 17(a))	**(463)**	(410)
	(1,121)	(934)

11 Income Tax

	Group	
	2022	2021
	S$'000	S$'000
Current income tax:		
- current year	**12,013**	13,194
- (over)/under provision in respect of prior years	**(11,544)**	7,484
	469	20,678
Deferred taxation:		
- current year	**780**	1,153
- over provision in respect of prior years	**(8)**	(14)
	772	1,139
	1,241	21,817

11 Income Tax (cont'd)

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	
	2022	2021
	S$'000	S$'000
Profit before income tax	**103,216**	79,399
Share of profit of associate	**–**	(361)
	103,216	79,038
Tax at the applicable tax rate of 17%	**17,547**	13,436
Tax effect of non-deductible items*	**1,331**	628
Income not subject to taxation*	**(195)**	(1,485)
(Over)/Under provision of income tax in respect of prior years	**(11,544)**	7,484
Over provision of deferred tax in respect of prior years	**(8)**	(14)
Deferred tax assets not recognised	**–**	308
Utilisation of allowances	**(44)**	(883)
Tax exemption	**(9,098)**	(641)
Singapore statutory stepped exemption	**(87)**	(55)
Effect of different tax rates operating in other jurisdictions	**3,339**	3,039
	1,241	21,817

* 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 and impairment losses which are not deductible / 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% (2021: 17%) payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction.

11 Income Tax (cont'd)

Pioneer Status Incentive

Ultimate Manufacturing Solutions (M) Sdn. Bhd.

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

Ultimate Manufacturing Solutions (M) Sdn. Bhd. ("UMSM") has been granted pioneer status tax incentive with a 100% tax exemption from income tax for a period of 10 years commencing from 11 August 2017 to 10 August 2027 by the Malaysian Investment Development Authority ("MIDA").

In the previous financial year, the Inland Revenue Board ("IRB") disallowed UMSM's claim for pioneer status incentive for year of assessment ("YA") 2017 as the entity had not met the stipulated percentage of local employee criteria (due to labour crunch in Penang, Malaysia). UMSM had also not met the conditions for YA2018 to YA2021.

UMSM appealed to the relevant Government Authorities during the previous financial year for a relaxation of conditions of the pioneer status incentive. In addition, a tax consultant was engaged to assist on the above matter.

In view of the above, UMSM provided additional tax liabilities for YA2018 to YA2021 during the previous financial year.

During the current financial year ended 31 December 2022, UMSM's application for the reinstatement of its pioneer status incentive has received approval from the relevant Government Authorities per announcement made on 14 September 2022. Accordingly, UMSM has written back the tax liabilities of S$11.9 million (RM37.7 million) for YA2018 to YA2021 during the current financial year.

Ultimate Machining Solutions (M) Sdn. Bhd.

Ultimate Machining Solutions (M) Sdn. Bhd. was granted pioneer status tax incentive with a 100% tax exemption from income tax for a period of 5 years commencing from 2 March 2011 which had been extended by the relevant authorities for another 5 years until 1 March 2021. The pioneer status tax incentive had expired during the previous financial year.

The Malaysian statutory tax rate is 24% for the current financial year ended 31 December 2022.

11 Income Tax (cont'd)

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

	At the beginning of the year S$'000	Acquisition of a subsidiary S$'000	Charged/ (credited) to income statement S$'000	At the end of the year S$'000
Group				
31 Dec 2022				
Deferred tax liabilities:				
- Excess of net book value of property, plant and equipment	**10,269**	**–**	**848**	**11,117**
Deferred tax assets:				
- Provisions	**(451)**	**–**	**(55)**	**(506)**
Net deferred tax liabilities	**9,818**	**–**	**793**	**10,611**
Deferred tax assets				
- Capital allowances	**(76)**	**–**	**(21)**	**(97)**
31 Dec 2021				
Deferred tax liabilities:				
- Excess of net book value of property, plant and equipment	1,921	6,766	1,582	10,269
Deferred tax assets:				
- Provisions	(13)	–	(438)	(451)
Net deferred tax liabilities	1,908	6,766	1,144	9,818
Deferred tax assets				
- Capital allowances	(71)	–	(5)	(76)

11 Income Tax (cont'd)

Deferred tax assets are to be recovered after one year.

	2022 S$'000	2021 S$'000
Deferred tax liabilities:		
- to be settled within one year	**250**	68
- to be settled after one year	**10,867**	10,201
	11,117	10,269

As at 31 December 2022, the Group has unutilised tax losses of approximately S$8,666,000 (2021: S$9,167,000) available for offset against future taxable income, subject to agreement with the tax authorities on the relevant tax regulations. The tax losses have no expiry date. The deferred tax assets arising from these unutilised tax losses totalling approximately S$1,473,000 (2021: S$1,558,000) have not been recognised in accordance with the accounting policy in Note 3(u).

As at 31 December 2022, no deferred tax liability (2021: 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	
	2022 S$'000	2021 S$'000
Net profit attributable to the owners of the Group (S$'000)	**98,169**	53,103
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share *	**667,476,892**	666,785,941
Basic earnings per share (Singapore cents)	**14.71**	7.96
Diluted earnings per share (Singapore cents)	**14.71**	7.96

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 2022 and 2021.

* excludes treasury shares

13 Cash and Bank Balances

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Cash on hand and at banks, and short-term bank deposit [(i)]	**61,422**	54,268	**1,073**	6,273
Fixed deposits [(i)]	**250**	10,818	**–**	–
	61,672	65,086	**1,073**	6,273

(i) The rates of interest for the interest earning bank accounts and the fixed deposits are between Nil and 5.30% (2021: Nil and 2.10%) per annum respectively, with maturity period within one year.

14 Trade Receivables and Other Current Assets

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Trade receivables:				
Third parties	**50,031**	52,494	**–**	–
Less: Loss allowance for trade debts	**(61)**	(157)	**–**	–
Net trade receivables	**49,970**	52,337	**–**	–
Other receivables and deposits:				
Subsidiaries	**–**	–	**17,414**	12,179
Third parties	**935**	3,609	**283**	200
Down-payment to suppliers of property, plant and equipment	**14,987**	–	**–**	–
Advance to suppliers	**11,163**	9,072	**–**	–
Deposits	**816**	870	**10**	10
Less: Loss allowance for non-trade debts	**(359)**	(359)	**–**	–
	27,542	13,192	**17,707**	12,389
Prepayments	**2,378**	1,648	**23**	22
Trade receivables and other current assets	**79,890**	67,177	**17,730**	12,411

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

The movement in credit loss allowance is as follows:

	Group	
	2022	2021
	S$'000	S$'000
Trade debts		
At 1 January per SFRS(I) 9	**(157)**	–
Acquisition of a subsidiary	**–**	(157)
Write-back of loss allowance	**96**	–
At 31 December per SFRS(I) 9	**(61)**	(157)
Non-trade debts		
At 1 January per SFRS(I) 9	**(359)**	(372)
Write-back of loss allowance	**–**	13
At 31 December per SFRS(I) 9	**(359)**	(359)

The average credit period generally granted for trade receivables is between 30 and 90 days (2021: between 30 and 90 days).

Trade receivables

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

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

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

The Group's credit risk in relation to trade receivables under SFRS(I) 9 as at 31 December 2022 are set out in the provision matrix as presented in Note 33(a)(ii). The Group's provision for loss allowance is determined based on the default rate by credit rating of customers, obtained from independent credit rating companies.

The Group's trade receivables due from third parties include an outstanding receivable which amounted to approximately S$27.9 million (2021: S$23.1 million) from a key customer which accounted for more than 50% (2021: more than 50%) of the Group's total revenue for the current financial year. Management has considered these facts and have assessed that the Group's exposure to this key customer would not have an impact on the Group's financial performance and its ability to continue as a going concern in the foreseeable future. Management has assessed this key customer as low credit risk.

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

Other receivables

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

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

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

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

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

Please refer to Note 33(a)(ii) for ageing analysis of trade and other receivables of the Group.

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

14(a) Financial Assets through Profit or Loss

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Investment in quoted shares				
At the beginning of the year	**322**	–	**322**	–
Addition during the year	**1,343**	315	**1,343**	315
Fair value (loss)/gain during the year (Note 8)	**(698)**	7	**(698)**	7
At the end of the year	**967**	322	**967**	322

The quoted shares are listed on the Singapore Stock Exchange. The investment has no fixed maturity term and held for trading and is designated to be measured at FVPL. The share price indication of the investment is based on an active market price, which is a level 1 of the fair value hierarchy.

15 Inventories

	Group	
	2022	2021
	S$'000	S$'000
Lower of cost and net realisable values:		
Finished goods and goods for resale	**16,061**	15,866
Work-in-progress	**27,441**	34,581
Raw materials	**67,164**	36,663
	110,666	87,110
Cost of inventories sold recognised as cost of sales in the consolidated income statement	**186,637**	128,136
Movement in the allowance for inventories obsolescence:		
Balance at the beginning of the year	**18,970**	18,399
Acquisition of a subsidiary	**–**	2,706
Allowance recognised in income statement during the year	**647**	1,133
Write-back during the year	**(267)**	(3,130)
Exchange differences	**(30)**	(138)
Balance at the end of the year	**19,320**	18,970

As at 31 December 2022, the Group has made allowance for inventories obsolescence amounting to S$19,320,000 (2021: S$18,970,000). The write-back for inventories obsolescence of S$267,000 (2021: S$3,130,000) is due to utilisation of the inventories during the year.

16 Investments in Subsidiaries

	Company	
	2022	2021
	S$'000	S$'000
Unquoted equity shares, at cost	**287,651**	285,247
Less: Allowance for impairment loss	**(24,788)**	(24,788)
	262,863	260,459
Movements in the allowance for impairment loss of investments in subsidiaries:		
Balance at the beginning and end of the year	**24,788**	24,788

16 Investments in Subsidiaries (cont'd)

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

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2022 %	2021 %	2022 S$'000	2021 S$'000
Held by the Company					
UMS Systems Pte. Ltd. (Singapore)	Assembly and integration of equipment and automated assembly lines	**100**	100	**9,561**	9,561
UMS International Pte. Ltd. (Singapore)	Investment holding	**100**	100	**800**	800
UMS Pte. Ltd. (Singapore)	Investment holding and precision machining of medical and wafer fabrication equipment parts manufacturers and providing electroplating and anodising services	**100**	100	**127,081**	127,081
UMS Aerospace Pte. Ltd. (Singapore)	Precision machining of machine parts for oilfield precision component manufacturers and other industries	**100**	100	**20,000**	20,000
Integrated Manufacturing Technologies Pte. Ltd. (Singapore)	Stainless steel gaslines and weldment manufacturing and assembly	**100**	100	**19,803**	19,803
Ultimate Machining Solutions (M) Sdn. Bhd. (Malaysia) [2]	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	**100**	100	**30,772**	30,772
Kalf Engineering Pte. Ltd. (Singapore)	Manufacturing and repairing of waste water treatment equipment and supply of environmentally-friendly, electrolyte water disinfection system and other related products	**51**	51	**990**	990

16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2022	2021	2022	2021
		%	%	S$'000	S$'000
Held by the Company (cont'd)					
Starke Singapore Pte. Ltd. (Singapore)	Trading of non-ferrous metal alloys	**70**	70	**7,076**	7,076
Ultimate Mechanical System Sdn. Bhd. (Malaysia) [2]	Inactive	**100**	100	**7,643**	7,643
JEP Holdings Limited (Singapore)	Investment holding and the provision of management services to its subsidiaries	**74**	72	**63,925**	61,521
				287,651	285,247
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	**–**	–
Held through Kalf Engineering Pte. Ltd.					
浙江凯富环境治理工程有限公司 (People's Republic of China) [3]	Inactive	**51**	51	**–**	–
Held through Starke Singapore Pte. Ltd.					
Starke Asia Sdn. Bhd. (Malaysia) [2]	Trading of metal products	**70**	70	**–**	–
Held through Ultimate Machining Solutions (M) Sdn. Bhd.					
Allstar Manufacturing Sdn. Bhd. (Malaysia) [2]	Inactive	**100**	100	**–**	–
Held through UMS Aerospace Pte. Ltd.					
Integrated Manufacturing Technologies, LLC (United States) [1]	Stainless steel gaslines and weldment manufacturing and assembly	**100**	100	**–**	–

16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2022	2021	2022	2021
		%	%	S$'000	S$'000
Held through JEP Holdings Limited					
JEP Precision Engineering Pte. Ltd. (Singapore)	Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works.	**74**	72	**–**	–
JEP Industrades Pte. Ltd. (Singapore)	Manufacturer, importers and exporters, traders, agents, repairs of precision machineries, carbide cutting tools, hardware, industrial equipment and engineering works.	**74**	72	**–**	–
Dolphin Engineering Pte. Ltd. (Singapore)	Large format precision engineering and equipment fabrication service	**74**	72	**–**	–
JEP Precision Engineering (M) Sdn. Bhd. (formerly known as Dolphin Manufacturing Solutions Sdn. Bhd.) (Malaysia) [2]	Steel structure fabrication and high precision machining for Aerospace, Semiconductor and Oil and Gas industries	**74**	72	**–**	–

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

[1] Statutory audit is not required in the country of incorporation but reviewed by Moore Stephens LLP for consolidation purposes.
[2] Audited by Moore Stephens Associates PLT, Malaysia.
[3] No paid-up share capital contributed as at 31 December 2022.

The Group has nine non wholly-owned subsidiaries of which the non-controlling interest of JEP Holdings Limited and its subsidiaries are considered material.

16 Investments in Subsidiaries (cont'd)

Interests in subsidiaries with material non-controlling interests:

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022	2021	2022	2021
		%	%	S$'000	S$'000	S$'000	S$'000
JEP Holdings Limited and its subsidiaries	Singapore	**26**	28	**1,982**	1,936	**21,004**	21,121
Individual subsidiaries with non-material non-controlling interests				**2,025**	2,587	**6,894**	4,250
Total				**4,007**	4,523	**27,898**	25,371

JEP Holdings Limited is incorporated in Singapore.

JEP Holdings Limited is an investment holding company and listed on the Singapore Exchange Securities Trading Limited. The Company owns 73.85% (2021: 72.21%) in JEP Holdings Limited as at 31 December 2022.

The summarised financial information for JEP Holdings Limited and its subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

<u>Summarised consolidated statement of financial position</u>

	JEP Holdings Limited	
	2022	2021
	S$'000	S$'000
Current		
Assets	**60,041**	62,284
Liabilities	**(19,550)**	(19,722)
Net current assets	**40,491**	42,562
Non-current		
Assets	**73,231**	69,864
Liabilities	**(32,938)**	(36,993)
Net non-current assets	**40,293**	32,871
Net assets	**80,784**	75,433

16 Investments in Subsidiaries (cont'd)

Summarised consolidated statement of comprehensive income

	JEP Holdings Limited	
	2022	**2021**
	S$'000	**S$'000**
Revenue	**82,556**	75,899
Profit before income tax	**9,156**	9,524
Income tax	**(1,591)**	(1,670)
Profit after tax	**7,565**	7,854
Total comprehensive income	**7,292**	7,798
Other summarised information		
Cash flow generated from operating activities	**20,205**	12,358
Cash flow used in investing activities	**(10,054)**	(4,837)
Cash flow used in financing activities	**(5,873)**	(3,816)

Acquisition of a subsidiary, JEP Holdings Limited ("JEP")

On 21 April 2021, the Company acquired 54,229,355 shares (or 13.10%) in JEP for S$10.9 million from Mr Zee Hoong Huay. Subsequently, the Company progressively acquired additional 72,851,511 shares in JEP (or 17.6%) for S$14.6 million from the open market as well as under the mandatory unconditional cash offer in accordance with Rule 14.1(b) of the Singapore Code on Take-overs and Mergers. As a result, JEP became a subsidiary of the Company with effect from April 2021.

In the last quarter of FY2021, the Company acquired additional 2,727,300 shares in JEP from the open market and increase its ownership of JEP to 72.21%.

During FY2022, the Company acquired additional 6,812,400 shares in JEP from the open market for S$2.6 million and increase its ownership of JEP to 73.85% as at 31 December 2022.

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

Goodwill and loss from acquisition of a subsidiary, JEP

In FY2021, a goodwill of S$6,268,000 was recognised in the consolidated balance sheet arising from the acquisition of JEP because the consideration paid was higher than the fair value of the identifiable net assets. A loss on deemed disposal of an associate (now a subsidiary) of S$2,015,000 was recognised at Group level.

16 Investments in Subsidiaries (cont'd)

Goodwill and loss from acquisition of a subsidiary, JEP (cont'd)

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

	2021 S$'000
Property, plant and equipment	57,659
Intangible asset	2,400
Right-of-use assets	11,173
Inventories	19,479
Trade and other receivables	14,395
Cash and bank deposits	15,219
Trade and other payables	(6,759)
Tax payable	(147)
Deferred tax	(6,766)
Bank borrowings	(27,536)
Lease liabilities	(7,928)
Total identifiable net assets at fair value	71,189
Less: Non-controlling interests	(32,899)
	38,290
Less: Consideration paid in cash	(10,852)
Fair value of previously-held interests	(33,706)
Goodwill	(6,268)

Impact of acquisition on the results of the Group

From the date of acquisition on 30 April 2021 to the financial year ended 31 December 2021, JEP contributed a total revenue of approximately S$56,021,000 and a net profit for the year of approximately S$6,967,000 to the Group's results.

Had this business combination been effected at 1 January 2021, the consolidated revenue of the Group would have been approximately S$288,918,000 and the profit for the year would have been S$58,469,000. The directors of the Group consider these "pro-forma" numbers to represent an approximate measure of the performance of the Group on an annualised basis and to provide a reference point for comparison in future periods.

The impact on acquisition on the cash flows of the Group is as follows:

	30 April 2021 S$'000
Impact on acquisition on the cash flows of the Group	
Purchase consideration in cash	10,852
Less:	
Cash and bank balances	(15,219)
Net cash inflow on acquisition	4,367

16 Investments in Subsidiaries (cont'd)

The effect on the equity attributable to owners of the Company following the progressive acquisition of equity interests is as follows:

	30 April 2021 S$'000
Consideration paid for acquisition of non-controlling interests	15,402
Decrease in equity attributable to non-controlling interests	(13,714)
Decrease in equity attributable to owner of the Company	1,688

17 Property, Plant and Equipment

	Freehold land S$'000	Freehold buildings S$'000	Leasehold properties S$'000	Plant and equipment S$'000	Construction-in-progress S$'000	Total S$'000
Group						
31 Dec 2022						
Cost						
At the beginning of the year	4,331	15,549	59,370	178,016	4,311	261,577
Effect of foreign currency exchange differences	(251)	(888)	–	(3,749)	(495)	(5,383)
Additions	–	–	–	29,700	8,833	38,533
Disposals/Write-off	–	–	–	(1,967)	–	(1,967)
Reclassification from right-of-use assets	–	–	–	3,896	–	3,896
At the end of the year	4,080	14,661	59,370	205,896	12,649	296,656
Accumulated depreciation						
At the beginning of the year	–	3,298	4,913	141,251	–	149,462
Effect of foreign currency exchange differences	–	(189)	–	(2,074)	–	(2,263)
Depreciation for the year	–	297	2,605	10,837	–	13,739
Disposals/Write-off	–	–	–	(1,408)	–	(1,408)
Reclassification from right-of-use assets	–	–	–	1,698	–	1,698
At the end of the year	–	3,406	7,518	150,304	–	161,228
Net book value						
At the end of the year	4,080	11,255	51,852	55,592	12,649	135,428

17 Property, Plant and Equipment (cont'd)

	Freehold land S$'000	Freehold buildings S$'000	Leasehold properties S$'000	Plant and equipment S$'000	Construction-in-progress S$'000	Total S$'000
Group (cont'd)						
31 Dec 2021						
Cost						
At the beginning of the year	4,331	15,794	14,513	159,837	1,514	195,989
Effect of foreign currency exchange differences	–	(245)	–	(797)	(118)	(1,160)
Additions	–	–	–	8,255	1,722	9,977
Acquisition of a subsidiary	–	–	44,857	11,609	1,193	57,659
Disposals/Write-off	–	–	–	(888)	–	(888)
At the end of the year	4,331	15,549	59,370	178,016	4,311	261,577
Accumulated depreciation						
At the beginning of the year	–	3,037	3,341	133,293	–	139,671
Effect of foreign currency exchange differences	–	(46)	–	(468)	–	(514)
Depreciation for the year	–	307	1,572	9,119	–	10,998
Disposals/Write-off	–	–	–	(693)	–	(693)
At the end of the year	–	3,298	4,913	141,251	–	149,462
Net book value						
At the end of the year	4,331	12,251	54,457	36,765	4,311	112,115

17 Property, Plant and Equipment (cont'd)

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

Description and location	Tenure
1058, Jalan Kebun Baru, Juru and Lot 20020, Pecahan Lot 702 Mukim 13 14100 Simpang Ampat Seberang Perai Tengah Pulau Pinang, Malaysia	Freehold
23 Changi North Crescent Singapore 499616	30 years lease from 16 August 1997, with an option to extend for a further 30 years
32 Gul Lane Singapore 629426	30 years lease from 1 January 1993, with an option to extend for a further 30 years
34 Gul Lane Singapore 629428	30 years lease from 1 October 2000 and ending 30 September 2030
1 Tuas South Tuas South Ave 6 #06-15, The Westcom Singapore 637021	60 years lease from 9 July 1996 and ending 8 July 2056
No. 16 Seletar Aerospace Crescent Singapore 797567 (1)	30 years commencing 1 February 2015
No. 2 Loyang Way 4 Singapore 507098 (1) (Erected single-storey factory with a mezzanine level and a single-storey rear extension)	30 years commencing 1 June 2007
No. 2 Loyang Way 4 Singapore 507098 (1) (Erected 4-storey factory building with provision of secondary workers' dormitory)	23 years 10 months commencing 1 August 2013

(1) As at 31 December 2022, the Group's factory buildings with carrying amounts of S$39,148,000 (2021: S$43,495,000) are pledged as security to certain banking facilities granted to the Group (Note 22).

17(a) Right-of-use Assets

The Group as a lessee

Nature of the Group's leasing activities

Leasehold land and buildings

The Group entered into leases and makes annual lease payments for the leasehold land and buildings in respect of its offices and factories. There are no externally imposed covenant on these lease arrangements. As at 31 December 2022, right-of-use assets acquired under leasing arrangements comprise:

	2022 S$'000	2021 S$'000
Group		
Leasehold land	**9,267**	9,751
Buildings	**217**	333
Office equipment	**36**	30
Machinery and equipment	**1,432**	4,530
Motor vehicles	**–**	16
	10,952	14,660
Cost		
At the beginning of the financial year	**16,629**	5,453
Effect of foreign currency exchange differences	**(72)**	3
Acquisition of a subsidiary	**–**	11,173
Additions	**209**	–
Reclassification to property, plant and equipment	**(3,896)**	–
Written off	**(119)**	–
At the end of the financial year	**12,751**	16,629
Accumulated depreciation		
At the beginning of the financial year	**1,969**	698
Effect of foreign currency exchange differences	**(65)**	–
Depreciation for the year	**1,712**	1,271
Reclassification to property, plant and equipment	**(1,698)**	–
Written off	**(119)**	–
At the end of the financial year	**1,799**	1,969
Net book value		
At the end of the financial year	**10,952**	14,660

Certain machinery and equipment under the leasing arrangements have been fully repaid during the current financial year.

17(a) Right-of-use Assets (cont'd)

The Group as a lessee (cont'd)

The Group has lease contracts for leasehold land and buildings with average tenure of between 2 and 60 years.

The leasing arrangements of the leasehold land at 23 Changi North Crescent, Singapore 499616 and 32 Gul Lane, Singapore 629426 have an option to extend for a further 30 years till 16 August 2057 and 31 December 2052 respectively. The Group is reasonably certain to exercise these options. The right-of-use assets are depreciated over the period of the lease terms. Depreciation starts at the commencement date of the leases.

Amount recognised in profit or loss:

	2022 S$'000	2021 S$'000
Depreciation expense on right-of-use assets	**1,712**	1,271
Interest expense on lease liabilities (Note 10)	**463**	410
Total cash outflow for leases	**1,801**	1,515

18 Investment Property

	Group	
	2022 S$'000	2021 S$'000
Cost		
At the beginning of the year	**4,098**	4,033
Additions	**–**	65
At the end of the year	**4,098**	4,098
Accumulated depreciation		
At the beginning of the year	**2,441**	2,285
Depreciation for the year	**160**	156
At the end of the year	**2,601**	2,441
Net book value		
At the end of the year	**1,497**	1,657

18 Investment Property (cont'd)

Investment property relates to the leasehold property at 25 Changi North Crescent, Singapore 499617 held by a subsidiary under an operating lease to earn rental income. Rental income and direct operating expenses related to the investment property amounted to Nil (2021: Nil) and S$102,500 (2021: S$102,500) respectively, for the financial year ended 31 December 2022.

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

The Group did not generate rental income for the financial years ended 31 December 2022 and 2021 in relation to the above property as the previous tenant had vacated the space and management is seeking for new business opportunities.

The estimated fair value of the leasehold property amounted to S$6,600,000 (2021: S$6,600,000), classified under Level 2 of the fair value hierarchy (as defined in Note 33(b)(i)), as determined on the basis of management's review of similar properties in the market as at 31 December 2022. The key input applied in the estimation of the investment property is unit price per square foot. There has been no change to the valuation technique during the current financial year.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2022 and 31 December 2021 are as follows:

	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
31 Dec 2022				
Leasehold property	**–**	**6,600**	**–**	**6,600**
31 Dec 2021				
Leasehold property	–	6,600	–	6,600

19 Investment in an Associate

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Quoted equity shares, at cost	**–**	32,172	**–**	35,360
Share of profit of associate	**–**	3,549	**–**	–
Deemed disposal of associate	**–**	(35,721)	**–**	(35,360)
	–	–	**–**	–

19 Investment in an Associate (cont'd)

Movement in the allowance for impairment loss of investment in associate:

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Balance at the beginning of the year	–	(5,900)	–	(2,712)
Deemed disposal of an associate	–	5,900	–	2,712
Balance at the end of the year	–	–	–	–

During the financial year ended 31 December 2021, the Company acquired additional equity stake in JEP Holdings Limited ("JEP"), a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited. Please see Note 16 for further information.

20 Loan to Subsidiaries

The loan to subsidiaries is non-trade in nature, unsecured and repayable on demand. The loan is denominated in United States Dollar and Singapore Dollar which bears interest at 4.16% and 1.5% respectively (2021: 2.17% and 1.5% respectively) per annum.

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

As at 31 December 2022, the Company recognised an allowance for impairment loss of loan to subsidiaries of S$2,300,000 (2021: S$2,300,000).

21 Intangible Assets

	Group		
	Goodwill	Customer relationship*	Total
	S$'000	S$'000	S$'000
Cost			
At 1 January 2021	**82,201**	**–**	**82,201**
Acquisition of a subsidiary	**6,268**	**2,400**	**8,668**
At 31 December 2021 and 31 December 2022	**88,469**	**2,400**	**90,869**
Accumulated amortisation			
At 1 January 2021	–	–	–
Amortisation for the year	–	(200)	(200)
At 31 December 2021	–	(200)	(200)
Amortisation for the year	–	(300)	(300)
At 31 December 2022	**–**	**(500)**	**(500)**
Accumulated impairment			
At 1 January 2021, 1 31 December 2021 and 31 December 2022	**(2,118)**	**–**	**(2,118)**
Net book value			
At 31 December 2021	86,351	2,200	88,551
At 31 December 2022	**86,351**	**1,900**	**88,251**

* The customer relationship is as a result of the acquisition of JEP Holdings Limited. The estimated useful life of the customer relationship is 8 years. In the opinion of the directors of the Company, there is no indication that the carrying value cannot be recovered from the business operations in the future periods.

(a) Allocation of goodwill to cash-generating units

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

- Welding – United States of America (Welding-USA)
- Welding – Singapore (Welding-SG)
- Semiconductor
- Aerospace and complex equipment

21 Intangible Assets (cont'd)

(a) Allocation of goodwill to cash-generating units (cont'd)

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

	Group	
	2022	2021
	S$'000	S$'000
Welding – USA	**1,586**	1,586
Welding – SG	**17,795**	17,795
Semiconductor	**60,702**	60,702
Aerospace and complex equipment	**6,268**	6,268
	86,351	86,351

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

(b) Impairment testing of goodwill

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

	2022	2021
Gross margin	**14% - 51%**	15% - 53%
Long term growth rate used for terminal value	**–**	–
Discount rates	**12.7% - 16.9%**	12.1% - 16.9%

Further information on the significant CGUs are as follows:

	Semiconductor		Welding SG	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Gross margin	**51%**	53%	**32%**	41%
Long term growth rate used for terminal value	**–**	–	**–**	–
Discount rates	**12.7%**	16.9%	**15.9%**	16.9%

21 Intangible Assets (cont'd)

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

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

These assumptions were used for the analysis of the CGU. Management recognises the speed of technological change and the possibility of new entrants that can have a significant impact on the growth rate assumptions. The effect of new entrants is not expected to have a significant adverse impact on the forecasts included in the budget.

(c) Sensitivity analysis

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

22 Borrowings and Loan from Related Parties

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Secured				
Term loan - non-current (a)	**18,361**	22,685	**–**	–
Term loan - current (a)	**2,549**	3,101	**–**	–
	20,910	25,786	**–**	–
Unsecured				
Short term bank loan - current (b)	**9,000**	8,500	**9,000**	2,500
Loans from related parties - current (c)	**909**	1,403	**–**	–
	9,909	9,903	**9,000**	2,500
	30,819	35,689	**9,000**	2,500
Non-current:				
Term loans	**18,361**	22,685	**–**	–
Current:				
Term loans	**2,549**	3,101	**–**	–
Short term bank loan	**9,000**	8,500	**9,000**	2,500
	11,549	11,601	**9,000**	2,500
Loans from related parties	**909**	1,403	**–**	–
	12,458	13,004	**9,000**	2,500

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

(a) Secured term loans of a subsidiary comprise the following:

- A 5-year temporary bridging loan was granted to the subsidiary in 2020. The secured term loan granted to the subsidiary is repayable over 48 monthly instalments starting from the 13th month from the drawdown date of 30 July 2020. The first monthly instalment is on 30 August 2021.

- A Seletar Aerospace Park ("SAP") term loan was granted to the subsidiary in 2015 for the construction of Seletar Aerospace Park building. The secured term loan granted to the subsidiary is repayable over 83 fixed monthly principal instalments of S$98,000 and a final principal instalment of S$11,862,000. The loan amount was fully repaid during the current financial year.

- During the current financial year, the same subsidiary entered into another SAP term loan. The secured term loan granted to the subsidiary is repayable over 180 monthly principal instalments of S$92,595 each.

- A 10-year term loan was granted to the subsidiary in 2015. The secured term loan granted to the subsidiary is repayable over 119 monthly principal instalments of S$22,200 each and a final fixed principal instalment of S$1,358,200. The loan amount was fully repaid during the current financial year.

- The 15-year secured term loan granted to the subsidiary in 2014 is repayable over 180 monthly instalments over a period of 15 years.

The effective interest rates are between 1.50% and 3.11% (2021: 1.93% and 2.16%).

The SAP term loan and 15-year secured term loans are secured over buildings on leasehold land with carrying amount of S$39,148,000 (2021: SAP term loan, 10-year and 15-year secured term loans were secured over buildings on leasehold land with carrying amount of S$43,495,000) (Note 17). The bridging loan is secured by a corporate guarantee provided by JEP Holdings Limited.

The Group has financial covenants attached to the term loans and facilities which relates to restriction of limits imposed on the maintenance of the Group's certain ratios. As at the end of the reporting period, the Group has observed these financial covenants accordingly.

<u>Interest rate benchmark reform</u>

The Group is not affected by the interest rate benchmark reform as it does not have any financial contracts dependent on the Interbank Offered Rates ("IBOR") which are subject to interest rate benchmark reform.

(b) The unsecured bank loan bears fixed interest at 4.09% - 4.19% (2021: 0.80% - 2.35%) per annum and with a maturity period of less than three months.

(c) The loans from related parties bear interest at 2.50% (2021: 2.50%) per annum and relates to an amount owing by a subsidiary to a director and a former director and repayable on demand, in the next 12 months.

The management estimates the fair value of the Group's long-term bank loans to approximate the carrying amount as the effective interest rates approximate current market interest rates on or near the end of the reporting period.

23 Trade and Other Payables

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Trade payables:				
Third parties	**31,055**	25,954	**–**	–
Related parties	**–**	51	**–**	–
	31,055	26,005	**–**	–
Other payables:				
A subsidiary	**–**	–	**43,538**	53,063
Third parties	**5,065**	1,350	**814**	831
Accrued operating expenses	**19,778**	18,689	**8,917**	7,021
Employees and rental deposits	**150**	684	**–**	–
Contract liabilities (Note 5)	**1,899**	9,351	**–**	–
	26,892	30,074	**53,269**	60,915
Trade and other payables	**57,947**	56,079	**53,269**	60,915

The average credit period generally taken to settle trade payables is approximately 60 days (2021: 60 days). The amount payable to related parties is unsecured, interest-free and repayable based on normal credit terms and fully repaid during the current financial year.

The amount payable to a subsidiary is non-trade, unsecured, interest-free and repayable on demand.

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

24 Long-Term Provision

	Group	
	2022	2021
	S$'000	S$'000
Provision for dismantling and removing the item and restoring the site relating to leasehold and investment properties	**405**	405
Balance at the beginning and end of the year	**405**	405

The long-term provision is recognised as part of the initial cost of the right-of-use assets.

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 office/factory premises held by the Group.

24 Long-Term Provision (cont'd)

As per the lease agreements, the Group is required to bear the cost of dismantling and removing the items and restoring the factory premises to its original state at the end of the lease period in year 2057 for 23 Changi North Crescent and 2033 for 25 Changi North Crescent.

25 Share Capital

	2022		2021	
	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	**670,535,941**	**136,623**	536,429,579	136,623
Bonus shares issue [(1)]	**–**	**–**	134,106,362	–
At the end of the year	**670,535,941**	**136,623**	670,535,941	136,623

[(1)] On the basis of 1 bonus share for every 4 existing ordinary shares in the share capital of the Company

25(a) Treasury shares

	2022		2021	
	No. of ordinary shares	S$'000	No. of ordinary shares	S$'000
Group				
At the beginning of the year	**4,414,837**	**2,064**	3,000,000	1,919
Sold during the year	**(2,292,700)**	**(1,173)**	–	–
Purchase by a subsidiary during the year	**–**	**–**	664,837	145
Bonus shares issue [(1)]	**–**	**–**	750,000	–
At the end of the year	**2,122,137**	**891**	4,414,837	2,064
Company				
At the beginning of the year	**3,750,000**	**1,919**	3,000,000	1,919
Sold during the year	**(2,292,700)**	**(1,173)**	–	–
Bonus shares issue [(1)]	**–**	**–**	750,000	–
At the end of the year	**1,457,300**	**746**	3,750,000	1,919

[(1)] On the basis of 1 bonus share for every 4 existing ordinary shares in the share capital of the Company

During the current financial year, the Company sold 2,292,700 treasury shares for S$3,056,000 and recognised a gain on the sale of S$1,883,000 in the retained earnings account.

26 Reserves

	Group	
	2022	2021
	S$'000	S$'000
Foreign exchange translation reserve	**16,814**	11,665

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

The foreign exchange translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

27 Lease Liabilities

Extension option

The leases of the leasehold land at 23 Changi North Crescent and 32 Gul Lane include a term extension option for 30 years till 2057 and 2052 respectively, of which the Group has the rights and expects to exercise these options. Accordingly, lease payments in the extension period have been capitalised in the Group's right-of-use assets and lease liabilities. The Group is restricted from assigning and subleasing the leased assets.

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Minimum lease payments due:				
- Not later than 1 year	**1,246**	1,681	**–**	–
- Later than 1 year but within 5 years	**3,126**	3,645	**–**	–
- Later than 5 years	**11,591**	12,152	**–**	–
	15,963	17,478	**–**	–
Less:				
Future finance charges	**(5,776)**	(6,140)	**–**	–
Present value of financial lease liabilities	**10,187**	11,338	**–**	–

27 Lease Liabilities (cont'd)

The present value of lease liabilities is analysed as follows:

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Not later than 1 year	**761**	1,179	**–**	–
Later than 1 year but within 5 years	**1,695**	2,140	**–**	–
Later than 5 years	**7,731**	8,019	**–**	–
	9,426	10,159	**–**	–
	10,187	11,338	**–**	–

The effective interest rate is between 3.43% and 6.70% (2021: 3.43% and 5.25%) per annum as at the end of the financial year.

28 Dividends

	Group	
	2022	2021
	S$'000	S$'000
Declared and paid during the financial year		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2021: 2 cents (for 2020: 1 cent) per share	**13,336**	5,334
- Interim exempt (one-tier) dividend for 2022: 3 cents (for 2021: 3 cents) per share	**20,049**	17,337
	33,385	22,671
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:		
- Final exempt (one-tier) dividend for 2022: 2 cents (for 2021: 2 cents) per share	**13,336**	13,336
	13,336	13,336

29 Related Party Transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual.

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

	Group	
	2022	**2021**
	S$'000	**S$'000**
Transactions with related parties		
Interest expenses	**35**	35
Consultancy fees	**3,043**	2,220

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	
	2022	**2021**
	S$'000	**S$'000**
Salaries, bonuses and related benefits	**10,379**	9,008
Defined contribution plans	**95**	93
Fees to directors	**420**	379
	10,894	9,480
Comprised amounts paid to:		
Directors of the Company*	**8,702**	8,182
Other key management personnel*	**2,192**	1,298
	10,894	9,480

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

30 Capital Commitments

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

	Group	
	2022	2021
	S$'000	S$'000
Authorised and contracted but not provided for	**27,952**	24,599

31 Short-term Lease

For lease term that ends within 12 months of the date of initial application of SFRS(I) 16, the Group has elected to account for the lease in the same way as short-term lease and included the cost associated with the lease within the disclosure of short-term lease expense in the reporting period that includes the date of initial application.

32 Financial Information by Segments

The Group's businesses are organised into three main business segments, namely semiconductor, aerospace and others. The semiconductor segment provides precision machining components and equipment modules for semiconductor equipment manufacturers. The aerospace segment provides precision machining services for aerospace, electronics and automotive industry. The others segment mainly provides shipment of water disinfection systems, trading of non-ferrous metal alloys and machine sales and customised cutting tools.

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

Intersegment sales and results include transfers between business segments. Such transfers are accounted for at competitive prices charged to external parties for similar goods. Those transfers are eliminated on consolidation. The revenue from external parties is measured in a manner consistent with that in the consolidated 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.

32 Financial Information by Segments (cont'd)

Segment information about these businesses is presented below:

Business Segments

	Semiconductor		Aerospace		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group								
Sales to external parties	**322,379**	242,293	**14,958**	9,952	**35,052**	18,975	**372,389**	271,220
Segment results	**94,760**	71,461	**1,631**	366	**6,825**	7,572	**103,216**	79,399
Material non-cash items include:								
Depreciation expense	**12,880**	10,473	**2,136**	1,378	**595**	574	**15,611**	12,425
Write-back allowance for trade debts	**–**	–	**(96)**	–	**–**	–	**(96)**	–
Write-back allowance for non-trade debts	**–**	–	**–**	–	**–**	(13)	**–**	(13)
Allowance for inventories obsolescence	**475**	46	**–**	358	**172**	–	**647**	404
Write-back of inventories obsolescence	**(267)**	(3,130)	**–**	–	**–**	–	**(267)**	(3,130)
Inventories written down	**–**	3,303	**–**	–	**–**	–	**–**	3,303
Loss on deemed disposal of an associate	**–**	–	**–**	–	**–**	2,015	**–**	2,015
Bad debts written off (trade)	**–**	37	**–**	–	**–**	–	**–**	37
Property, plant and equipment written off	**2**	19	**–**	–	**–**	–	**2**	19
Gain on disposal of property, plant and equipment	**(26)**	52	**(187)**	(52)	**–**	(7)	**(213)**	(7)
Fair value adjustment on inventories arising from acquisition of a subsidiary	**–**	200	**1,500**	1,300	**–**	500	**1,500**	2,000
Waiver of loans from a related party	**–**	–	**–**	–	**–**	(3,904)	**–**	(3,904)
Allowance for project loss	**–**	–	**–**	–	**–**	729	**–**	729
Total assets	**722,694**	651,788	**49,887**	52,925	**58,256**	57,548	**830,837**	762,261
Total assets include:								
Additions to property, plant and equipment	**33,360**	8,778	**1,972**	429	**3,201**	770	**38,533**	9,977
Improvement to investment property	**–**	65	**–**	–	**–**	–	**–**	65
Total liabilities	**230,262**	218,764	**14,462**	16,887	**25,220**	34,373	**269,944**	270,024

32 Financial Information by Segments (cont'd)

Business Segments (cont'd)

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

	Group	
	2022	2021
	S$'000	S$'000
Semiconductor	**722,694**	651,788
Aerospace	**49,887**	52,925
Others	**58,256**	57,548
Total assets for reportable segments	**830,837**	762,261
Elimination of inter-segment assets	**(341,417)**	(325,507)
Total assets	**489,420**	436,754

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

	Group	
	2022	2021
	S$'000	S$'000
Semiconductor	**230,262**	218,764
Aerospace	**14,462**	16,887
Others	**25,220**	34,373
Total liabilities for reportable segments	**269,944**	270,024
Elimination of inter-segment liabilities	**(148,892)**	(137,544)
Total liabilities	**121,052**	132,480

32 Financial Information by Segments (cont'd)

Business Segments (cont'd)

The recognition of right-of-use assets and lease liabilities increased segment assets and segment liabilities as follows:

	Group			
	Segment assets		Segment liabilities	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Semiconductor	**6,244**	7,160	**(5,539)**	(6,264)
Aerospace	**4,192**	7,002	**(4,112)**	(4,562)
Others	**516**	498	**(536)**	(512)
	10,952	14,660	**(10,187)**	(11,338)

The recognition of right-of-use assets and lease liabilities on the consolidated balance sheet resulted in an increase in depreciation and interest expenses in the consolidated income statement in the current year as follows:

	Group			
	Depreciation		Interest expenses	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Semiconductor	**984**	759	**258**	277
Aerospace	**650**	439	**147**	103
Others	**78**	73	**58**	30
	1,712	1,271	**463**	410

Geographical Segments

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

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

32 Financial Information by Segments (cont'd)

Geographical Segments (cont'd)

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

	Singapore		USA		Taiwan		Malaysia		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group												
Total sales to external parties	**258,552**	189,914	**35,377**	31,481	**39,184**	27,990	**19,979**	11,517	**19,297**	10,318	**372,389**	271,220
Other geographical information:												
Non-current assets:												
Property, plant and equipment	**79,813**	73,642	**90**	61	**–**	–	**55,525**	38,412	**–**	–	**135,428**	112,115
Investment property	**1,497**	1,657	**–**	–	**–**	–	**–**	–	**–**	–	**1,497**	1,657
Intangible asset	**1,900**	2,200	**–**	–	**–**	–	**–**	–	**–**	–	**1,900**	2,200
Goodwill	**85,427**	85,427	**924**	924	**–**	–	**–**	–	**–**	–	**86,351**	86,351
Right-of-use assets	**10,675**	14,101	**187**	330	**–**	–	**90**	229	**–**	–	**10,952**	14,660

32 Financial Information by Segments (cont'd)

Geographical Segments (cont'd)

Information about major customers

Included in revenue arising from semiconductor segment of S$323.3 million (2021: S$242.6 million) is revenue of more than 50% (2021: more than 50%) which arose from sales to the Group's largest customer.

33 Financial Instruments

(a) Financial Risk Management Policies and Objectives

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

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

(i) Capital risk

When managing capital, the objectives of the Group and the Company are: (a) to safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (b) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group's and Company's overall strategy remains unchanged from 2021.

The Group and the Company set the amount of capital in proportion to risk. The Group and the Company manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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

33 Financial Instruments (cont'd)

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

(i) Capital risk (cont'd)

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Net debt	**37,281**	38,020	**61,196**	57,142
Total equity	**368,368**	304,274	**225,850**	222,230
Debt-to-adjusted capital ratio	**0.101**	0.125	**0.271**	0.257

The Group and the Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2022 and 2021.

(ii) Credit risk

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

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

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

33 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

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

<u>Credit risk grading guideline</u>

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

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

33 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

The Group's provision for loss allowance is based on past due as the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2022 and 31 December 2021 are set out in the provision matrix as follows:

		Past due				
	Current* S$'000	Within 30 days* S$'000	30 to 60 days** S$'000	60 to 90 days** S$'000	More than 90 days^^ S$'000	Total S$'000
Group						
31 December 2022						
Semiconductor						
Expected loss rate	**0.06%**	**0.06%**	**0.15%**	**0.15%**	**1.06%**	
Trade receivables	**32,087**	**6,731**	**684**	**506**	**153**	**40,161**
Allowance for impairment	**–^**	**–^**	**–^**	**–^**	**–^**	**–^**
Aerospace						
Expected loss rate	**0.11%**	**0.11%**	**0.21%**	**0.21%**	**19.87%**	
Trade receivables	**2,574**	**288**	**23**	**91**	**307**	**3,283**
Allowance for impairment	**–^**	**–^**	**–^**	**–^**	**(61)**	**(61)**
Other segments						
Expected loss rate	**0.28%**	**0.28%**	**0.59%**	**0.59%**	**1.47%**	
Trade receivables	**3,244**	**1,342**	**568**	**221**	**1,212#**	**6,587**
Allowance for impairment	**–^**	**–^**	**–^**	**–^**	**–^**	**–^**
31 December 2021						
Semiconductor						
Expected loss rate	0.06%	0.06%	0.15%	0.15%	1.06%	
Trade receivables	32,162	3,839	1,191	242	56	37,490
Allowance for impairment	–^	–^	–^	–^	–^	–
Aerospace						
Expected loss rate	0.11%	0.11%	0.21%	0.21%	100%	
Trade receivables	7,642	682	85	5	157	8,571
Allowance for impairment	–^	–^	–^	–^	(157)	(157)
Other segments						
Expected loss rate	0.28%	0.28%	0.59%	0.59%	1.47%	
Trade receivables	2,315	1,840	731	200	1,347#	6,433
Allowance for impairment	–^	–^	–^	–^	–^	–

* rated as performing
** rated as under-performing
^^ rated as non-performing
\# Included in S$1,347,000 is an amount of S$1,223,000 pertaining to a project which has yet to be completed as at 31 December 2021.
^ The expected credit loss is not material.

33 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

For assessment of lifetime expected credit losses, management has applied the expected loss rates of between 0.06% and 1.06% (2021: between 0.06% and 1.06%) to the trade receivables for semiconductor, expected loss rates of between 0.11% and 0.21% (2021: between 0.11% and 100%) to the trade receivables for aerospace and expected loss rates of between 0.28% and 1.47% (2021: between 0.28% and 1.47%) to the trade receivables for other segments. The expected credit loss is not material.

The Group's credit risk exposure in relation to other receivables under SFRS(I) 9 as at 31 December 2022 are set out in the credit risk rating grades as follows:

	Internal Credit rating	ECL	Gross Carrying Amount S$'000	Loss Allowance S$'000	Net Carrying Amount S$'000
Group					
31 Dec 2022					
Other receivables and deposits	**Performing**	**12-month ECL**	**1,392**	**–**	**1,392**
Other receivables and deposits	**Non-performing**	**Lifetime ECL**	**359**	**(359)**	**–**
31 Dec 2021					
Other receivables and deposits	Performing	12-month ECL	4,120	–	4,120
Other receivables and deposits	Non-performing	Lifetime ECL	359	(359)	–

Management has assessed other receivables and deposits to have low credit risk as they are generally not due for payment yet. Management has periodically assessed for any significant increase in the risk of default on the receivables since initial recognition, with a rebuttable presumption that credit risk has increased for debts more than 30 days past due. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating that is typically equivalent to the investment grade market convention. Accordingly, the 12-month expected credit loss is not material.

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

33 Financial Instruments (cont'd)

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

(ii) Credit risk (cont'd)

The Company's credit risk exposure in relation to other receivables under SFRS(I) 9 as at 31 December 2022 are set out in the credit risk rating grades as follows:

	Internal Credit rating	ECL	Gross Carrying Amount S$'000	Loss Allowance S$'000	Net Carrying Amount S$'000
Company					
31 Dec 2022					
Loan to subsidiary	**Non-performing**	**Lifetime ECL**	**5,739**	**(2,300)**	**3,439**
Loan to subsidiary	**Performing**	**12-month ECL**	**2,047**	**–**	**2,047**
Subsidiaries	**Performing**	**12-month ECL**	**17,414**	**–**	**17,414**
Other receivables and deposits	**Performing**	**12-month ECL**	**293**	**–**	**293**
31 Dec 2021					
Loan to subsidiary	Non-performing	Lifetime ECL	5,973	(2,300)	3,673
Loan to subsidiary	Performing	12-month ECL	2,664	–	2,664
Subsidiaries	Performing	12-month ECL	12,179	–	12,179
Other receivables and deposits	Performing	12-month ECL	210	–	210

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

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

(iii) Interest rate risk

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

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

33 Financial Instruments (cont'd)

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

(iii) Interest rate risk (cont'd)

The tables below set out the Group'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 S$'000	Non-Interest bearing S$'000	Total S$'000
Group			
31 Dec 2022			
Financial assets			
Trade receivables and other current assets (excluding prepayments and advance and down-payment to suppliers)	**–**	**51,362**	**51,362**
Cash and bank balances	**39,681**	**21,991**	**61,672**
	39,681	**73,353**	**113,034**
Financial liabilities			
Bank borrowings	**29,910**	**–**	**29,910**
Loans from related parties	**909**	**–**	**909**
Trade and other payables (excluding contract liabilities)	**–**	**56,048**	**56,048**
Lease liabilities	**10,187**	**–**	**10,187**
	41,006	**56,048**	**97,054**
31 Dec 2021			
Financial assets			
Trade receivables and other current assets (excluding prepayments and advance to suppliers)	–	56,457	56,457
Cash and bank balances	39,223	25,863	65,086
	39,223	82,320	121,543
Financial liabilities			
Bank borrowings	34,286	–	34,286
Loans from related parties	1,403	–	1,403
Trade and other payables (excluding contract liabilities)	–	46,728	46,728
Lease liabilities	11,338	–	11,338
	47,027	46,728	93,755

A 3% (2021: 3%) increase/(decrease) in the interest rates as at the end of reporting period, with all variables including tax rate being held constant, would not result in a significant impact in the Group's profit after tax.

33 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 the 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	Over 5 years S$'000
Group					
31 Dec 2022					
Bank borrowings	**29,910**	**32,778**	**11,983**	**8,789**	**12,006**
Loans from related parties	**909**	**909**	**909**	**–**	**–**
Trade and other payables (excluding contract liabilities)	**56,048**	**56,048**	**56,048**	**–**	**–**
Lease liabilities	**10,187**	**15,963**	**1,246**	**3,126**	**11,591**
	97,054	**105,698**	**70,186**	**11,915**	**23,597**
31 Dec 2021					
Bank borrowings	34,286	35,496	12,113	21,958	1,425
Loans from related parties	1,403	1,403	1,403	–	–
Trade and other payables (excluding contract liabilities)	46,728	46,728	46,728	–	–
Lease liabilities	11,338	17,478	1,681	3,645	12,152
	93,755	101,105	61,925	25,603	13,577
Company					
31 Dec 2022					
Trade and other payables	**53,269**	**53,269**	**53,269**	**–**	**–**
31 Dec 2021					
Trade and other payables	60,915	60,915	60,915	–	–

33 Financial Instruments (cont'd)

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

(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.

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

	Singapore Dollar	Japanese Yen	Euro	Malaysian Ringgit	United States Dollar	Chinese Renminbi	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group							
31 Dec 2022							
Financial assets							
Cash and bank balances	9,639	2,530	4,605	4,066	40,785	47	61,672
Trade receivables and other current assets (excluding prepayments and advance and down-payment to suppliers)	3,684	1,567	–	1,541	43,991	579	51,362
	13,323	4,097	4,605	5,607	84,776	626	113,034
Financial liabilities							
Bank borrowings	(29,910)	–	–	–	–	–	(29,910)
Loans from related parties	(909)	–	–	–	–	–	(909)
Trade and other payables (excluding contract liabilities)	(33,960)	(1,711)	(623)	(5,623)	(14,127)	(4)	(56,048)
Lease liabilities	(9,879)	–	–	(104)	(204)	–	(10,187)
	(74,658)	(1,711)	(623)	(5,727)	(14,331)	(4)	(97,054)
Net financial (liabilities)/ assets	(61,335)	2,386	3,982	(120)	70,445	622	15,980
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	61,857	–	–	513	(6,232)	–	56,138
Currency exposure	522	2,386	3,982	393	64,213	622	72,118

33 Financial Instruments (cont'd)

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

(v) Foreign currency risk (cont'd)

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

	Singapore Dollar S$'000	Japanese Yen S$'000	Euro S$'000	Malaysian Ringgit S$'000	United States Dollar S$'000	Chinese Renminbi S$'000	Total S$'000
Group							
31 Dec 2021							
Financial assets							
Cash and bank balances	10,502	3,424	215	15,633	35,237	75	65,086
Trade receivables and other current assets (excluding prepayments and advance to suppliers)	2,648	594	67	6,929	45,608	611	56,457
	13,150	4,018	282	22,562	80,845	686	121,543
Financial liabilities							
Bank borrowings	(34,286)	–	–	–	–	–	(34,286)
Loans from related parties	(1,403)	–	–	–	–	–	(1,403)
Trade and other payables (excluding contract liabilities)	(25,982)	(1,261)	–	(1,969)	(17,505)	(11)	(46,728)
Lease liabilities	(10,965)	–	–	(5)	(368)	–	(11,338)
	(72,636)	(1,261)	–	(1,974)	(17,873)	(11)	(93,755)
Net financial (liabilities)/ assets	(59,486)	2,757	282	20,588	62,972	675	27,788
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	54,745	–	–	(13,155)	(4,796)	–	36,794
Currency exposure	(4,741)	2,757	282	7,433	58,176	675	64,582

33 Financial Instruments (cont'd)

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

(v) Foreign currency risk (cont'd)

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

	Singapore Dollar S$'000	United States Dollar S$'000	Total S$'000
Company			
31 Dec 2022			
Financial assets			
Cash and bank balances	**945**	**128**	**1,073**
Loan to subsidiaries	**–**	**5,486**	**5,486**
Trade receivables and other current assets (excluding prepayments)	**15,898**	**1,809**	**17,707**
	16,843	**7,423**	**24,266**
Financial liabilities			
Trade and other payables	**(46,893)**	**(6,376)**	**(53,269)**
Net financial (liabilities)/assets	**(30,050)**	**1,047**	**(29,003)**
Less: Net financial liabilities denominated in the Company's functional currency	**30,050**	**–**	**30,050**
Currency exposure	**–**	**1,047**	**1,047**
31 Dec 2021			
Financial assets			
Cash and bank balances	772	5,501	6,273
Loan to subsidiaries	3,267	3,070	6,337
Trade receivables and other current assets (excluding prepayments)	11,265	1,124	12,389
	15,304	9,695	24,999
Financial liabilities			
Trade and other payables	(60,202)	(713)	(60,915)
Net financial (liabilities)/assets	(44,898)	8,982	(35,916)
Less: Net financial liabilities denominated in the Company's functional currency	44,898	–	44,898
Currency exposure	–	8,982	8,982

33 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% (2021: 10%) against S$ as at the end of reporting period, with all other variables including tax rate being held constant, the effect arising from the net financial assets position will be as follows:

	Group Increase/(Decrease) profit after tax S$'000	Company Increase/(Decrease) profit after tax S$'000
31 Dec 2022		
United States dollar	**5,330**	**87**
31 Dec 2021		
United States dollar	4,829	746

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

(b) Fair Value

(i) Fair value of financial instruments

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

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

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

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

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

33 Financial Instruments (cont'd)

(b) Fair Value (cont'd)

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

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

The carrying amounts of long term bank borrowings and lease liabilities approximate their fair values as they are subject to interest rates close to market rates of interest for similar arrangement with financial institutions.

34 Adoption of New Standards

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2022.

35 New Standards and Interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements. The directors expect that the adoption of the standards below will not have material impact on the financial statements in the period of initial application.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2023:

Applicable to 2023 financial statements:

- Amendments to SFRS(I) 1-1, Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements
- Amendments to SFRS(I) 1-8, Definition of Accounting Estimates
- Amendments to SFRS(I) 1-12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Applicable to 2024 financial statements:

- Amendments to SFRS(I) 1-1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Amendments to SFRS(I) 16 Lease – Lease Liability in a Sale and Leaseback

Deferred indefinitely, early application is permitted:

- Amendments to SFRS(I) 10 and SFRS(I) 1-28, Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

SUPPLEMENTARY FINANCIAL INFORMATION

Dislosures Required by SGX-ST Listing Manual

1. Interested Person Transactions

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

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	
		2022 S$'000	2021 S$'000
Sure Achieve Consultant Pte Ltd			
Consultancy Services charges and commission	Transaction above is with Sure Achieve Consultant Pte Ltd in which Mrs. Sylvia SY Lee Luong is a director and shareholder. She is the wife of the CEO of the Group, Mr. Luong Andy. The aggregate value of IPT entered into between the Group and Sure Achieve Consultant Pte Ltd for the year ended 31 December 2022 amounted to S$3,043,000 which represents approximately 1.41% of the Group's latest audited net tangible assets as at 31 December 2021.	**3,043**	2,220

SUPPLEMENTARY FINANCIAL INFORMATION

Dislosures Required by SGX-ST Listing Manual

2. Properties

As required by Rule 1207 (11) of the SGX-ST Listing Manual, the description of properties held by the group are as follows:

Location	Description	Tenure	Net Book Value 2022 S$'000	Net Book Value 2021 S$'000
23 Changi North Crescent Changi North Industrial Estate Singapore 499616	Office cum factory building	30 + 30 years lease commencing 16 August 1997 and ending 16 August 2057	**3,925**	4,046
25 Changi North Crescent Changi North Industrial Estate Singapore 499617	Leased	30 years lease commencing 1 February 2003 and ending 31 January 2033	**1,497**	1,657
1058, Jalan Kebun Baru, Juru and Lot 20020, Pecahan Lot 702 Mukim 13 14100 Simpang Ampat Seberang Perai Tengah Pulau Pinang, Malaysia	Office cum factory building	Freehold	**13,824**	14,982
34 Gul Lane Singapore 629428	Office cum factory building	30 years lease commencing 1 October 2000 and ending 30 September 2030	**1,932**	2,174
32 Gul Lane Singapore 629426	Office cum factory building	30 + 30 years lease commencing 1 January 1993 and ending 31 December 2052	**3,202**	3,309
1 Tuas South Avenue 6, #06-15 Singapore 637021	Logistic	60 years lease commencing 9 July 1996 and ending 8 July 2056	**740**	833
No. 16 Seletar Aerospace Crescent Singapore 797567	Leasehold land with an erected 4-storey single-user industrial development factory	30 years commencing 1 February 2015	**34,083**	35,623
No. 2 Loyang Way 4 Singapore 507098	Leasehold land with an erected single-storey factory with a mezzanine level and a single-storey rear extension	30 years commencing 1 June 2007	**7,369**	7,873
	Leasehold land with an erected 4-storey factory building with provision of secondary workers' dormitory	23 years 10 months commencing 1 August 2013		

STATISTICS OF SHAREHOLDINGS

As at 22 March 2023

Number of Issued Shares (excluding treasury shares and subsidiary holdings)	:	670,535,941
Number/Percentage of treasury shares and subsidiary holdings	:	–
Voting Rights	:	One vote per share
Class of Shares	:	Ordinary Shares

Distribution of shareholdings

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	364	3.78	20,360	0.00
100 – 1,000	495	5.14	268,670	0.04
1,001 – 10,000	4,106	42.67	23,518,158	3.51
10,001 – 1,000,000	4,615	47.96	238,379,457	35.55
1,000,001 and above	43	0.45	408,349,296	60.90
Total	**9,623**	**100.00**	**670,535,941**	**100.00**

Based on the information provided to the Company as at 22 March 2023, approximately 84.01% 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 of Shareholders	Number of Shares	%
1	UOB KAY HIAN PRIVATE LIMITED	109,694,643	16.36
2	CITIBANK NOMINEES SINGAPORE PTE LTD	46,399,082	6.92
3	DBS NOMINEES (PRIVATE) LIMITED	38,674,764	5.77
4	RAFFLES NOMINEES (PTE.) LIMITED	38,334,890	5.72
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	19,855,845	2.96
6	BPSS NOMINEES SINGAPORE (PTE.) LTD.	17,194,100	2.56
7	HSBC (SINGAPORE) NOMINEES PTE LTD	17,010,958	2.54
8	DBSN SERVICES PTE. LTD.	16,530,342	2.47
9	PHILLIP SECURITIES PTE LTD	16,262,884	2.43
10	SAN TAI CONSTRUCTION (S) PTE LTD	8,300,000	1.24
11	IFAST FINANCIAL PTE. LTD.	7,875,104	1.17
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	7,291,281	1.09
13	MAYBANK SECURITIES PTE. LTD.	5,688,445	0.85
14	TAN BOON KHAK HOLDINGS PTE LTD	4,887,500	0.73
15	OCBC SECURITIES PRIVATE LIMITED	4,653,401	0.69
16	CHAN YEOK PHENG	3,465,077	0.52
17	TAN POH GHEE	3,167,240	0.47
18	DB NOMINEES (SINGAPORE) PTE LTD	3,071,812	0.46
19	TAN SECK WEI	2,686,250	0.40
20	TAN LENG OEI	2,641,250	0.39
	Total	**373,684,868**	**55.74**

STATISTICS OF SHAREHOLDINGS

As at 22 March 2023

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

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	–	106,529,686	106,529,686	15.89

Notes:

(1) Based on the total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) of the Company comprising 670,535,941 Shares.

(2) Luong Andy is deemed to be interested in:-

(a) 73,519,338 shares registered in the name of UOB Kay Hian Private Limited;

(b) 16,151,028 shares registered in the name of The 71 Trust (held through UOB Kay Hian Private Limited);

(c) 14,859,320 shares registered in the name of The SY Trust (held through UOB Kay Hian Private Limited); and

(d) 2,000,000 shares registered in the name of his wife, Mrs. Lee Luong Sylvia S Y.

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 Principal Commitments/ Major Appointments
Luong Andy	1 April 2004	27 April 2022	JEP Holdings Limited (appointed on 22 February 2018)	–
Loh Meng Chong, Stanley	30 June 2010	23 June 2020	–	–
Chay Yiowmin	28 June 2013	27 April 2022	–	Chief Executive Officer of Chay Corporate Advisory Pte. Ltd.
			8I Holdings Limited (appointed on 22 September 2014)	–
			Libra Group Limited (resigned on 17 July 2020)	–
			Raffles Infrastructure Holdings Limited (appointed on 13 December 2021)	–
			Ntegrator International Ltd. (appointed on 9 February 2022)	–
			Mary Chia Holdings Limited (appointed on 8 August 2022)	–
			Metech International Limited (resigned on 17 January 2023)	–
Gn Jong Yuh, Gwendolyn	5 May 2016	28 April 2021	–	Equity Partner of Shook Lin & Bok LLP
			Darco Water Technologies Ltd (appointed on 2 May 2019)	–
			Libra Group Limited (resigned on 29 July 2019)	–
			–	Director of Tata Precision Industries Private Limited (appointed on 9 December 2019)
			YHI International Limited (appointed on 1 October 2021)	–
			Mary Chia Holdings Limited (appointed on 28 November 2022)	–

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 Principal Commitments/ Major Appointments
Datuk Phang Ah Tong	1 October 2017	28 April 2021	–	Non-executive Chairman of Malaysia Automotive, Robotics and Internet of Things Institute (appointed on 1 August 2017)
			JF Technology Bhd (appointed on 1 January 2018)	–
			Inari Amerton Bhd (appointed on 8 February 2018)	–
			Apex Healthcare Berhad (appointed on 24 May 2018)	–
			–	Non- Executive Chairman of Novugen Pharma (Malaysia) Sdn Bhd (appointed on 1 March 2018)
			–	Non- Executive Chairman of Oncogen Pharma Malaysia Sdn Bhd (appointed on 1 March 2018)
			Cosmos Technology International Berhad (appointed on 1 December 2021)	–
			Jerasia Capital Berhad (resigned on 26 April 2022)	–
			–	Independent Director of United Overseas Bank Malaysia (resigned on 14 February 2023)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of UMS Holdings Limited ("the Company") will be held at Empress Ballroom 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Wednesday, 26 April 2023 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions as set out below:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022 together with the Auditors' Report thereon.

Resolution 1

2. To approve the payment of a final tax-exempt (one-tier) dividend of 2.0 cents per ordinary share in respect of the financial year ended 31 December 2022.

Resolution 2

3 To re-elect Mr Loh Meng Chong, Stanley, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company.

[Mr Loh Meng Chong, Stanley, will, upon re-election as a Director of the Company, remain as Executive Director of the Company. Please refer to Corporate Governance Report on pages 23 to 28 in the Annual Report for the detailed information required pursuant to Rule 720(6) of the SGX-ST.]

Resolution 3

4. To re-elect Datuk Phang Ah Tong, who is retiring by rotation in accordance with Regulation 89 of the Company's Constitution, as Director of the Company.

[Datuk Phang Ah Tong will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee, a member of the Audit Committee and the Remuneration Committee and will be considered independent for the purpose of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Please refer to Corporate Governance Report on pages 23 to 28 in the Annual Report for the detailed information required pursuant to Rule 720(6) of the SGX-ST.]

Resolution 4

5. To approve the payment of Directors' fees of up to S$265,000 for the financial year ending 31 December 2023, to be paid quarterly in arrears. (FY2022: S$260,000)

Resolution 5

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

Resolution 6

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

SPECIAL BUSINESS:

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

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

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

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

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

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

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

provided that:

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

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

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

adjustments in accordance with (2)(i) is only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of this Resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST from the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and

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

Resolution 7

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:

Resolution 7 is to authorise the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time that Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent consolidation or subdivision of shares.

BY ORDER OF THE BOARD

Siau Kuei Lian
Company Secretary

Singapore
10 April 2023

Notes:

1. The members of the Company are invited to attend physically at the AGM. There will be no option for shareholders to participate virtually.

2. The Annual Report, Notice of Annual General Meeting and Proxy Form will be published on the Company's website at URL http://www.umsgroup.com.sg/ir.html and also on SGXNet at the URL https://www.sgx.com/securities/company-announcements. There will be no despatch of Annual Report, Notice of Annual General Meeting and Proxy Form to members.

3. Members may submit questions related to the resolutions which will be tabled for approval at the AGM, in advance of the AGM by email to the Company at UMSAGM260423@umsgroup.com.sg.

   When submitting the questions, please provide the Company with the following details, for verification purpose:-

   (i) Full name;
   (ii) NRIC number;
   (iii) Current address;
   (iv) Contact number; and
   (v) Number of shares held.

   Please also indicate the manner in which you hold shares in the Company (e.g. via CDP, CPF or SRS).

   Shareholders are encouraged to submit their questions before 18 April 2023, as this will allow the Company sufficient time to address and respond to these questions on or before 20 April 2023 (seventy-two (72) hours prior to the closing date and time for the lodgement of the proxy forms).

4. The Company will respond to substantial and relevant questions received from members on the Company's website at URL http://www.umsgroup.com.sg/ir.html and on SGXNet at URL https://www.sgx.com/securities/company-announcements by 20 April 2023, after trading hours.

5. A member of the Company (including a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting of the Company may appoint not more than two proxies to attend, speak and vote in his/her stead. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the form of proxy. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

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* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

6. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) and wishes to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the Annual General Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

8. The instrument appointing a proxy must: (i) if sent personally or by post, be deposited at the registered office of the Company at 23 Changi North Crescent, Singapore 499616; or (ii) if submitted electronically, be submitted via email to the Company at UMSAGM260423@umsgroup.com.sg and in either case, by no later than 72 hours before the time appointed for the Annual General Meeting, and in default the instrument of proxy shall not be treated as valid.

   Members are strongly encouraged to submit completed proxy forms electronically by email to the Company at UMSAGM260423@umsgroup.com.sg.

9. The Annual Report for FY2022 may be accessed on the Company's website at the URL http://www.umsgroup.com.sg/ir.html and is also available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

PERSONAL DATA PRIVACY:

By submitting an instrument appointment a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF RECORD DATE FOR THE PROPOSED FINAL DIVIDEND

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2023, for the purpose of determining members' entitlements to the Proposed Final Dividend of 2.0 cents per ordinary share (tax-exempt one-tier) for the financial year ended 31 December 2022.

Duly completed registrable transfers received by the Company's Share Registrar, In.Corp Corporate Services Pte. Ltd., 30 Cecil Street #19-08 Prudential Tower Singapore 049712 up to the close of business at 5.00 p.m. on 8 May 2023 will be registered before entitlement to the Proposed Final Dividend are determined. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 8 May 2023 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the forthcoming Annual General Meeting of the Company, will be paid on 22 May 2023.

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IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy and submit their votes at least 7 working days before the Meeting, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

UMS HOLDINGS LIMITED

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

PROXY FORM
ANNUAL GENERAL MEETING

I/We, ____________________ (Name) ____________________ (NRIC/Passport No./Company Regn. No.)

of ____ (Address)

being a member/members* of **UMS HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or* failing him/her* (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them*, the Chairman of the Meeting as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Empress Ballroom 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on 26 April 2023 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

(If you wish to exercise all your votes "For", "Against" or to "Abstain" from voting, please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.)

No	Resolutions relating to:	For	Against	Abstain
	Ordinary Business			
1	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022 and the Auditors' Report thereon			
2	To approve a final tax-exempt (one-tier) dividend			
3	To re-elect Mr Loh Meng Chong, Stanley, as Director			
4	To re-elect Datuk Phang Ah Tong as Director			
5	To approve directors' fees for the year ending 31 December 2023			
6	To re-appoint Auditors and authorise the directors to fix their remuneration			
	Special Business			
7	To authorise the directors to allot and issue shares			

Dated this __________ day of ______________ 2023

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature(s) of Shareholder(s)
and/or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

The Proxy Form will be published on the Company's website at the URL https://www.umsgroup.com.sg and will also be made available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements. There will be no despatch of printed copies of the Annual Report, Notice of Annual General Meeting and Proxy Form to members.

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument shall be deemed to relate to all the Shares held by you.

2. A member of the Company (including a Relevant Intermediary*) entitled to vote at the Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number or class of shares shall be specified).

5. Subject to note 6, completion and return of this instrument appointing a proxy shall not preclude a Member from attending and voting at the Meeting. Any appointment of proxy or proxies shall be deemed to be revoked if a Member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as his/her proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

8. The instrument appointing a proxy or proxies must (i) if sent personally or by post, be deposited at the registered office of the Company at 23 Changi North Crescent, Singapore 499616; or (ii) if submitted electronically, be submitted via email to the Company at UMSAGM260423@umsgroup.com.sg, and in either case, not less than 72 hours before the time appointed for the Meeting, and in default the instrument of proxy shall not be treated as valid.

   Members are strongly encouraged to submit completed proxy forms electronically by email to the Company at UMSAGM260423@umsgroup.com.sg.

Personal Data Privacy:

By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2023.

General:

The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

UMS GROUP

UMS Holdings Limited
Company Registration No : 200100340R

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