



# Annual Report 2016



## Our Mission

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

## Our Vision

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

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

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

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

# CHAIRMAN AND CEO STATEMENT



## Dear Shareholders,

In last year's annual report, I provided the outlook that the slow business activities from the last quarter of FY2015 will follow into FY2016, with subdued performance in the first half of the year. However, UMS remains positive about the outlook for the second half of FY2016. This projection was largely in line with the actual business performance in FY2016.

Overall, UMS's semiconductor business remained relatively stable in FY2016. UMS recorded a revenue of S\$104.2 million, as compared to S\$111.1 million in FY2015. In terms of profitability, UMS recorded a net profit of S\$22.6 million for FY2016, a 34% decrease from S\$34.3 million in FY2015. However, despite the lower profits, I am pleased to report that the Group generated cash comparable to FY2015. UMS generated a positive operating cash flow of S\$33.9 million and free cash flow of S\$31.2 million in FY2016, as compared

to S\$35.8 million and S\$31.3 million respectively in FY2015.

As such, we are able to continue the tradition of rewarding our shareholders every quarter. To round up the year, the Board of Directors is therefore pleased to recommend and propose a final dividend of TWO (2.0) Singapore cents per share and a special dividend of ONE (1.0) Singapore cent per share. Subject to shareholders' approval, this will bring the total dividends declared and proposed for FY2016 to SIX (6.0) Singapore cents per share.

## Business Performance

The global semiconductor equipment industry remained relatively stable in FY2016. UMS experienced a pickup in orders from 3Q2016 following a weak first half of the year. Subsequently, the Group experienced a strong 4Q2016 that helped pushed its revenue cross the S\$100 million mark for the entire year.

In terms of segmental revenue contribution, UMS's Semiconductor Integrated System sales did well for FY2016, increasing 19% from S\$42.6 million in FY2015 to S\$50.5 million in FY2016. As a result of stronger competition from other regional players, component sales in FY2016 decreased by 25% from S\$67.6 million to S\$50.9 million.

Revenue from Others segment increased 190% from S\$1.0 million in FY2015 to S\$2.8 million in FY2016. This relates to contract manufacturing work for Kalf

Engineering Pte Ltd ("Kalf") with regards to the fabrication of water disinfection systems.

On profitability, the Group's gross material margin declined to 54% in FY2016 as a result of the change in product mix. Accordingly, net profit margin in FY2016 decline to 22%. This was still a respectable performance when compared to the average of the last 5 years.

## Maintain Strong Cash Generation Ability

The Group has consistently maintained its good cash generation ability and was able to continue this track record in FY2016. Amidst the difficult market conditions in FY2016, the Group generated a positive operating cash flow of S\$33.9 million and free cash flow of S\$31.2 million. The cash generated is much higher than the net profit because many expenses recorded in the income statement were non-cash in nature.

As of 31 December 2016, after paying dividend of S\$25.7 million, the Group achieved net cash and cash equivalents of S\$42.6 million, surpassing last year's record of S\$38.9 million.

## Diversification

Over the years, UMS has been exploring opportunities to diversify its business portfolio. Following the investment in AllStar Manufacturing Sdn. Bhd. in January 2016 to make inroads into the Malaysian and regional aerospace manufacturing industry,

# CHAIRMAN AND CEO STATEMENT



the Group announced on 24 February 2017 that it had entered into a conditional subscription agreement (“Agreement”) with Kalf, a water and chemical engineering solutions company. Under the Agreement, UMS will subscribe for 51% of the enlarged share capital of Kalf for a total consideration of S\$990,000 in cash, on a willing buyer willing seller basis. The consideration will be funded from internal sources of UMS.

The demand for Kalf’s electro-chlorination systems depends more on the infrastructure and industrial development of the countries it conducts business. Kalf conducts business in regions including China, India, South East Asia, Middle-East, Africa and South America. The installation and replacement of electro-chlorination systems designed and fabricated by Kalf are required as part of the operations and maintenance of power plants, chemical plants and offshore platforms. In addition, Kalf has the capability to undertake water treatment projects. Accordingly, the investment into Kalf provides an opportunity for the Group to diversify its business operations into a specialised and growing industry that is not dependent on semiconductor chipmakers’ capital spending and further provides the Company with increased technical skills in a new industry.

Moving forward, the Group will continue to seek opportunities with good long term growth potential and where it can leverage on its financial and operational strength.

## Outlook

SEMI, the global industry association representing more than 2,000 companies in the electronics manufacturing supply chain, reported in their SEMI Year-end Forecast released in December 2016 that worldwide sales of new semiconductor manufacturing equipment are projected to increase 8.7% to \$39.7 billion in 2016. SEMI has also projected that in 2017, another 9.3% growth is expected, resulting in a global semiconductor equipment market totaling \$43.4 billion.

SEMI also forecasts that in 2017, equipment sales in Europe will climb the most, by 51.7%, to a total of \$2.8 billion, following a 10.0% contraction in 2016. In 2017, Taiwan, Korea and China are forecast to remain the top three markets, with Taiwan maintaining the top spot even with a 9.2% decline to total \$10.2 billion. Equipment sales to Korea are forecast at \$9.7 billion, while equipment sales to China are expected to reach \$7.0 billion.

The Group has recently renewed its integrated system business contract with its key customer for another 3 years, with the option to further extend another 3 years, upon reasonable and mutually agreed terms and conditions. This puts the Group in a good position to benefit from the industry growth and also adds stability to its revenue base.

Moving forward, the Group will take steps to recover its component sales amidst the

keen competition and also continue to seek opportunities to further strengthen its positioning in the global semiconductor value chain.

The Group remains optimistic that barring unforeseen circumstances, business activities will be satisfactory and FY2017 will be a profitable year.

## A Note of Thanks

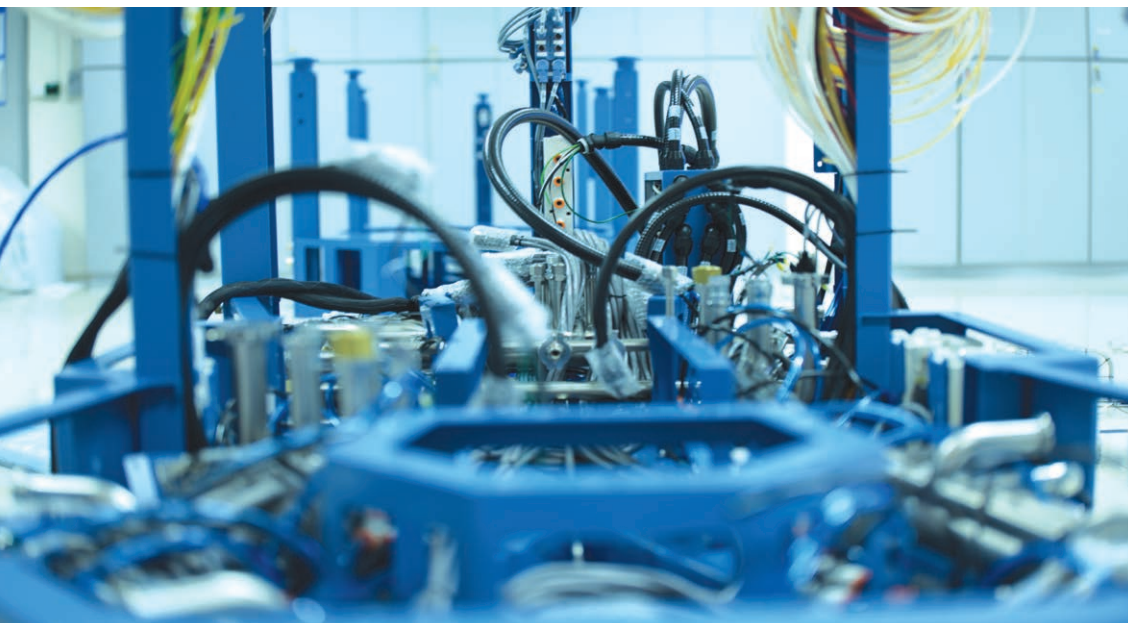
I would like to express our heartfelt gratitude to our Board members for their invaluable contributions.

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

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

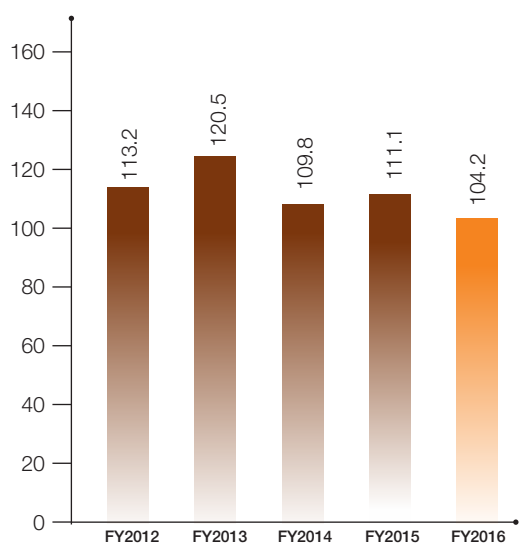
**Luong Andy**  
Chairman and Chief Executive Officer  
UMS Holdings Limited

# FINANCIAL HIGHLIGHTS



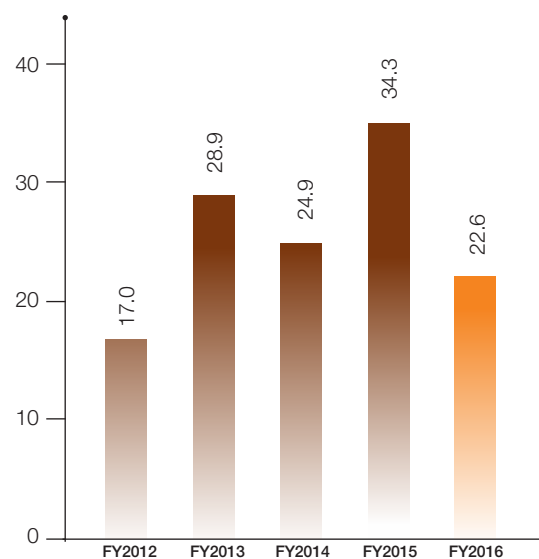
## Revenue

*S\$ Million*

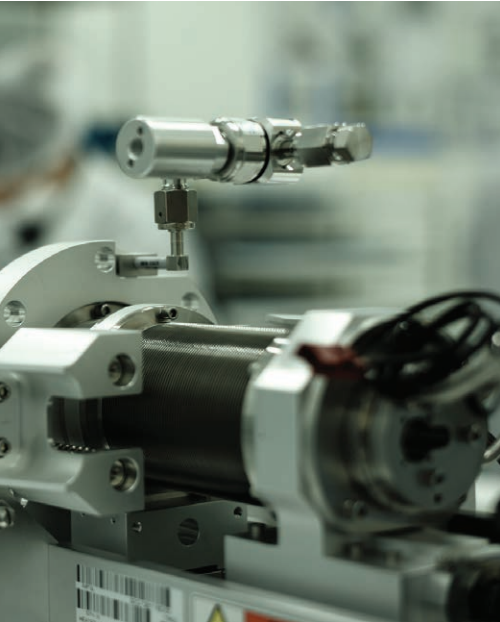


## Net Profit

*S\$ Million*

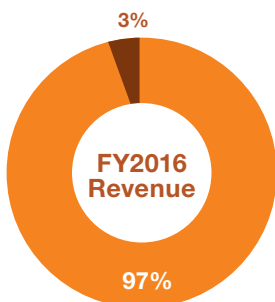
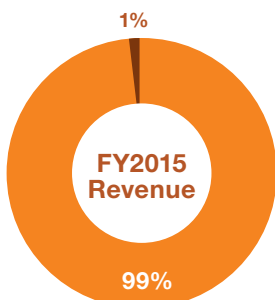


# FINANCIAL HIGHLIGHTS



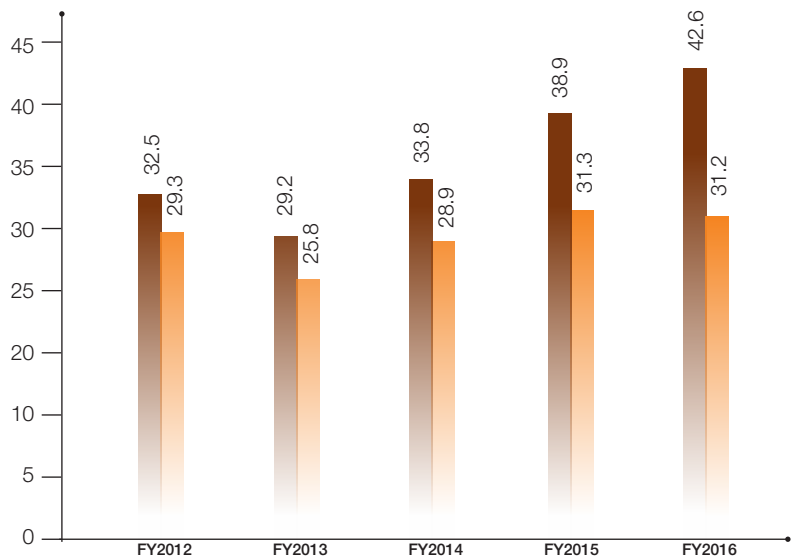
## Segmental Contribution

■ Semiconductor (Semicon)
 ■ Others



## Cash Balances & Free Cash Flow

*S\$ Million*



■ Cash Balances
 ■ Free Cash Flow



**Robust spending by chip makers worldwide underpins the business activities of players in the value chain.** UMS being a strategic vendor of the biggest semiconductor equipment maker in the world, benefitted from this trend.

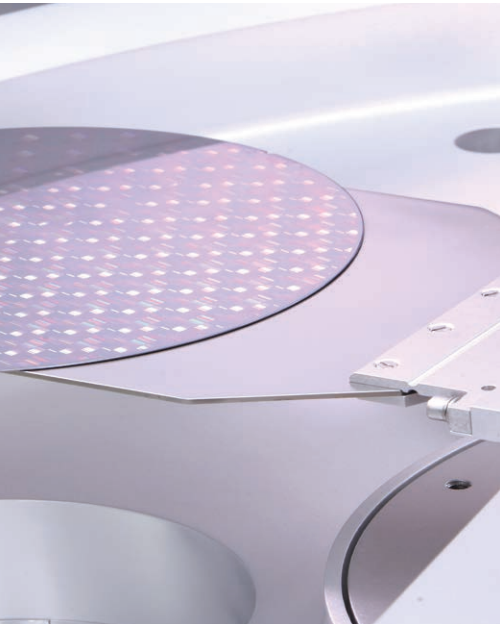
SEMI, the global industry association representing more than 2,000 companies in the electronics manufacturing supply chain, reported in their SEMI Year-end Forecast released in December 2016 that worldwide sales of new semiconductor manufacturing equipment are projected to increase 8.7 percent to \$39.7 billion in 2016.

Taiwan and South Korea are projected to remain the largest spending regions, with China joining the top three for the first time. Rest of World (essentially Southeast Asia), will lead in growth with 87.7 percent, followed by China at 36.6 percent and Taiwan at 16.8 percent.

Robust spending by chip makers worldwide underpins the business activities of players in the value chain. UMS being a strategic vendor of the biggest semiconductor equipment maker in the world, benefitted from this trend.

In terms of seasonality, the Group experienced slower orders in 1H2016 but activities picked up from 3Q2016 and grew stronger as the year progressed, as global semiconductor equipment industry resumed its growth and global chip makers pick up pace on their capital expenditure programs.





## Streamlining operations to improve cost efficiencies

In addition to a lower tax environment resulting from the pioneer tax incentive, the facility in Penang, Malaysia also enjoys reduced overheads such as lower labour costs and lower electricity tariffs, which helped to maintain the profitability of the Group. UMS has been transiting the majority of its Singapore precision machining operations to Penang over the years and this effort was completed towards the end of last year.

With the recent renewal of its integrated system business contract with its key customer for another 3 years, with the option to further extend another 3 years, the Group will also be moving this systems integration work to Penang. This allows the Group to leverage on its facility and capability in a low cost environment to enhance its value proposition to its key customer, thus cementing the strategic relationship.

## Available Capacity to meet additional demand

The Group's component manufacturing utilisation rate has been relatively low and part of the reason was the stiff competition posed by other regional players. With the current ramp up in demand from semiconductor equipment makers globally, we are seeing more opportunities to offer this unutilised capacity to these equipment makers. The Group is taking focused steps to grow its components business this year.

## Integration with new group companies

In January 2016, the Group signed a definitive agreement with AllStar Manufacturing Sdn. Bhd. ("Allstar") to invest in the company to make inroads into the Malaysian and regional aerospace manufacturing industry. Allstar has since relocated its manufacturing operations to UMS's Penang facilities, obtained the necessary Aerospace certifications and has been qualified by a major Tier

1 Aerospace vendor to supply aircraft components.

The Group announced on 24 February 2017 that it had entered into a conditional subscription agreement with Kalf Engineering Pte Ltd ("Kalf"), a water and chemical engineering solutions company. Key tasks in 2017 will be to integrate Kalf's operational activities with that of the Group and to leverage on UMS's strengths to grow its business.



Overall, the Group posted a credible financial performance for FY2016. The Group generated comparable cash flows despite lower revenue and profits as compared to FY2015, and accumulated net cash and cash equivalents of **S\$42.6 million**, surpassing last year's record of **S\$38.9 million**.

## Revenue

For the year ended 31 December 2016, UMS revenue remained relatively flat at S\$104.2 million, compared to S\$111.1 million a year ago.

Revenue from Semicon segment declined by 8% to S\$101.4 million in FY2016 (FY2015: S\$110.1 million). As compared to FY2015, Semiconductor Integrated System sales increased by 19% from S\$42.6 million to S\$50.5 million whereas revenue from component sales decreased by 25% from S\$67.6 million to S\$50.9 million due to stronger competition from other regional players. Revenue from Others increased 190% from S\$1.0 million in FY2015 to

S\$2.8 million in FY2016, mainly due to contract manufacturing work for Kalf Engineering Pte Ltd ("Kalf") with regards to the fabrication of water disinfection systems.

Over the same period, UMS revenue from Singapore in FY2016 increased by 23% from S\$54.6 million in FY2015 to S\$67.2 million in FY2016. Revenue in US decreased by 59% in FY2016 to S\$10.8 million from S\$26.6 million in FY2015, while revenue from Others geographies decreased by 14% from S\$28.3 million in FY2015 to S\$24.3 million in FY2016.

The Group experienced a weak first half in 2016 for the Semicon equipment sector. UMS's revenue in 1H2016 declined 25%

to S\$43.7 million, compared to S\$58.5 million in the previous corresponding period. Sequentially, UMS 2H2016 revenue grew 15% to S\$60.5 million from S\$52.6 million in 2H2015. This was attributed to the upturn in demand in the second half of 2016, as global semiconductor equipment industry resumed its growth and global chip makers pick up pace on their capital expenditure programs.

## Profitability

For FY2016, UMS's gross material margin decreased to 54% as compared to 60% in FY2015 as a result of change in product mix. Employee benefits expense decreased by 15% from S\$13.5 million in FY2015 to



S\$11.5 million in FY2016. Depreciation expense decreased from S\$7.4 million in FY2015 to S\$5.4 million in FY2016.

Other expenses saw a decrease of 15% from S\$11.8 million in FY2015 to S\$10.1 million in FY2016. Other credits/charges recorded a charge of S\$4.7 million in FY2016 as compared to a credit of S\$2.5 million in FY2015. The charge was a result of a partial impairment on the goodwill arising from the acquisition of Integrated Manufacturing Technologies Inc (S\$1.6 million), inventory provisions of S\$3.7 million, S\$0.8 million of inventory written off, partially offset by exchange gain of S\$1.2 million resulting from the appreciation of USD against SGD during the year.

In FY2016, the management assessed the recoverability of the investment in Integrated Manufacturing Technologies Inc ("IMT-US"). In view of the underperformance of the company, a goodwill impairment of S\$1.6 million was calculated based on the recoverable amounts of IMT-US, value in use calculation using forecast earnings and cash flows at that time. The additional inventory provision made was in accordance

to the Group's inventory provision policy.

In line with the lower profit, income tax expense has also decreased. The higher effective tax rate in FY2016 when compared to that of FY2015, was mainly due to lower PIC tax benefits claimed in FY2016 as compared to FY2015.

As a result of the above, UMS recorded a net profit of S\$22.6 million for FY2016, a 34% decrease from S\$34.3 million in FY2015.

## Cash Flow

Although profitability had declined in FY2016 compared to FY2015, the Group generated comparable cash flows. The Group generated a positive operating cash flow of S\$33.9 million and free cash flow of S\$31.2 million, as compared to S\$35.8 million and S\$31.3 million respectively in FY2015. The Group was able to generate comparatively high cash flow mainly because many expenses recorded in the income statement were non-cash in nature.

As of 31 December 2016, after paying dividend of S\$25.7 million, the Group

achieved net cash and cash equivalents of S\$42.6 million, surpassing last year's record of S\$38.9 million.

As with the preceding years, the Group believes its ability to continue maintaining strong free cash flow will give it the necessary balance sheet strength to perform merger and acquisition activities as well as to undertake new projects as and when suitable opportunity arises.

## Dividend for FY2016

In view of the Group's healthy performance and in recognition of shareholders' support of the Group, the Board has proposed a final dividend of 2.0 Singapore cents per ordinary share (tax-exempt one-tier) and special dividend of 1.0 Singapore cent per ordinary share (tax-exempt one-tier), bringing the total dividend declared and proposed for FY2016 to 6.0 Singapore cents per share. This includes dividends of 1.0 Singapore cent per ordinary share already paid out in each of the preceding quarters from 1Q2016, 2Q2016 and 3Q2016.

# BOARD OF DIRECTORS



## Luong Andy

Chairman / Chief Executive Officer

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

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



## Chay Yiowmin

Lead Independent Director

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

Mr Chay has more than 18 years of public accounting experience in Singapore and the United Kingdom. Mr Chay is currently an advisory partner with BDO LLP Singapore, heading the Corporate Finance Practice. Prior to joining BDO LLP, Mr Chay gained his professional experience with a number of large multinational accounting and audit firms where he was admitted as a partner in January 2010. Mr Chay holds a Bachelor of Accountancy and a Master of Business from Nanyang Technological University, and a Master of Business Administration from the University of Birmingham. Mr Chay is also a practising Chartered Accountant (CA Singapore) of the Institute of Singapore Chartered Accountants (ISCA), Associate Chartered Accountant (ACA) of the Institute of Chartered Accountants in England and Wales (ICAEW), Certified Finance and Treasury Professional (CFTP) of the Finance and Treasury Association (FTA), and a Fellow Member of the American Academy of Financial Management (AAFM).

Mr Chay currently sits on the Singapore steering committee of the Professional Risk Managers' International Association (PRMIA), and the Corporate Finance committee of ISCA. Mr Chay is also an active Grassroots Leader, serving as a treasurer with the Kebun Baru Citizens Consultative Committee and an auditor with the Thomson Hills Neighbourhood Committee. Yiowmin is also a member of the Kebun Baru and Thomson Inter-Racial and Religious Confidence Circles. Yiowmin was awarded the Pingat Bakti Masyarakat (Public Service Medal) (PBM) by the President of the Republic of Singapore on 9 August 2016.



# BOARD OF DIRECTORS



## Oh Kean Shen

Independent Director

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

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



## 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 Catalyst 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.



## Loh Meng Chong, Stanley

Executive Director

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

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

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

# MANAGEMENT TEAM



## Luong Andy

Chief Executive Officer

Mr Luong Andy, the Founder of UMS Holdings, has been the Group's Chief Executive Officer since January 2005. He currently holds 85,859,000 ordinary shares in the Group.

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



## Loh Meng Chong, Stanley

Group Financial Controller /  
Senior Vice President, Operations

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

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



## Kay Tan Kian Hong

Global Account Director

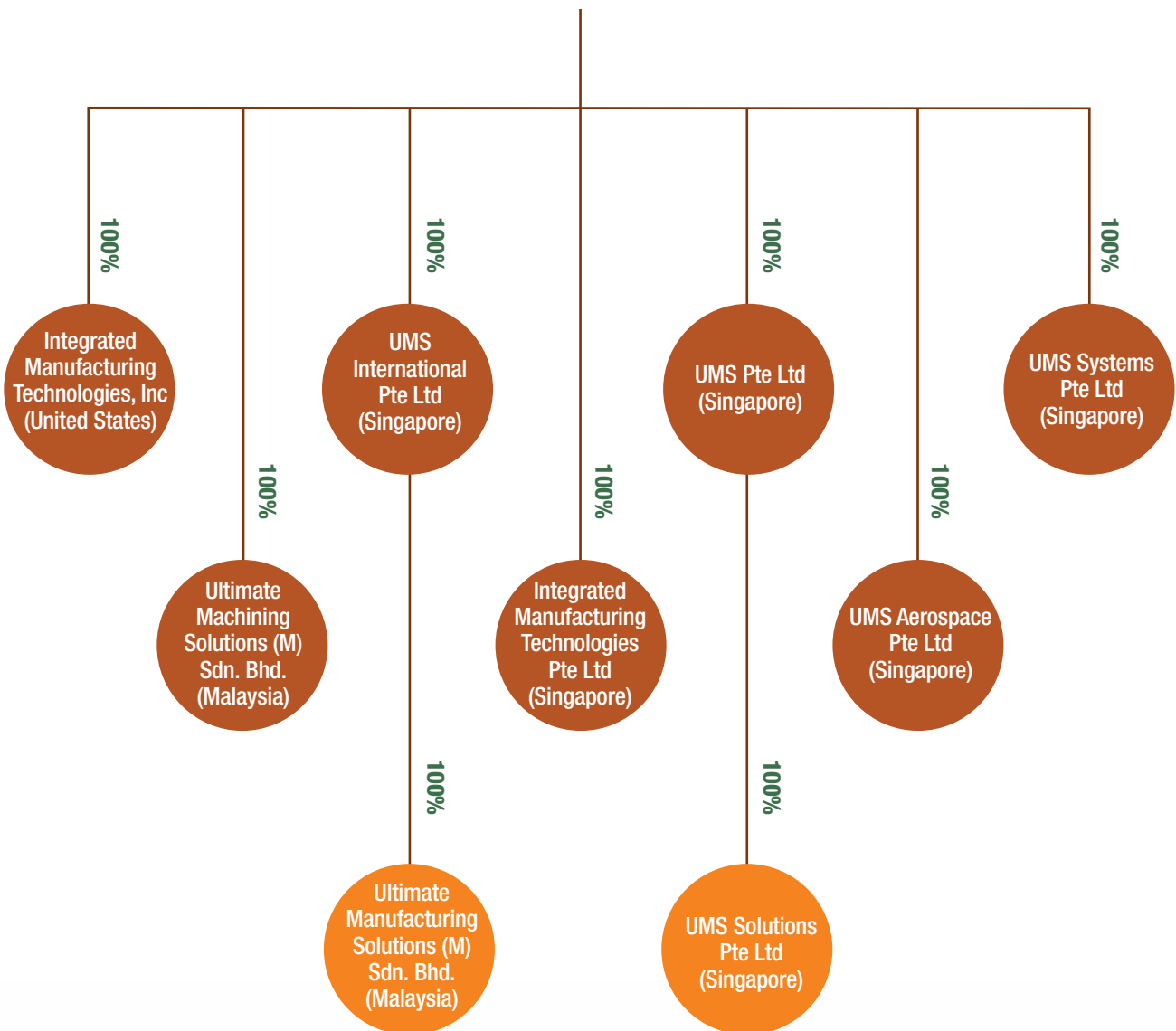
Mr Kay Tan was appointed Global Account Director in 2007, located in Milpitas, California. As Global Account Director, Mr Tan holds overall responsibility for managing the relationship between UMS and our key customers in USA by facilitating appropriate customer contacts at all levels, across all business creation cycles. He is also responsible for the Company's USA subsidiary.

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

# GROUP STRUCTURE



UMS Holdings Limited



# MILESTONES

## 2016

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

## 2017

**February** / Entered into a conditional subscription agreement with Kalf Engineering Pte Ltd (“Kalf”), a water and chemical engineering solutions company to subscribe for 51% of the enlarged share capital of Kalf.

## 2015

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

## 2012

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

## 2011

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

## 2007

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

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

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

## 2008

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

## 2009

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

## 2010

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

## 2006

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

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

## 2004

Merger with Norelco Centreline Holdings Limited

## 1996

Started UMS in Singapore

## 1984

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



# CORPORATE OFFICES



## USA

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

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

## MALAYSIA

**Ultimate Machining Solutions (M) Sdn. Bhd.**  
**Ultimate Manufacturing Solutions (M) Sdn. Bhd.**  
1058, Jalan Kebun Baru, Juru  
14100 Simpang Ampat  
Seberang Perai Tengah  
Pulau Penang  
Malaysia  
Tel : (604) 507 3000  
Fax : (604) 502 3000  
Email : sales@umsgroup.com.sg  
Website : <http://www.umsgroup.com.sg>

## SINGAPORE

**UMS Pte Ltd**  
**UMS Aerospace Pte Ltd**  
**UMS Systems Pte Ltd**  
**UMS Solutions Pte Ltd**  
**UMS International Pte Ltd**  
**Integrated Manufacturing Technologies Pte Ltd**  
23 Changi North Crescent  
Changi North Industrial Estate  
Singapore 499616  
Tel : (65) 6543 2272  
Fax : (65) 6542 9979  
Email : sales@umsgroup.com.sg  
Website : <http://www.umsgroup.com.sg>

# CORPORATE INFORMATION

## Board of Directors

Luong Andy  
Chairman / Chief Executive Officer

Chay Yiwmin  
Lead Independent Director

Oh Kean Shen  
Independent Director

Gn Jong Yuh Gwendolyn  
(appointed on 5 May 2016)  
Independent Director

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

## Audit Committee

Chay Yiwmin (Chairman)  
Oh Kean Shen  
Gn Jong Yuh Gwendolyn

## Nominating Committee

Oh Kean Shen (Chairman)  
Luong Andy  
Chay Yiwmin  
Gn Jong Yuh Gwendolyn

## Remuneration Committee

Gn Jong Yuh Gwendolyn (Chairman)  
Chay Yiwmin  
Oh Kean Shen

## Registered Office

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

## Independent Auditors

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

## Share Registrar

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

## Principal Bankers

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

## Company Secretary

Elizabeth Krishnan



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

This report describes the Group’s corporate governance policies and processes with reference to the Code of Corporate Governance (the ‘Code’). The Board is pleased to confirm that for the financial year ended 31 December 2016, 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 2016, of which three, are Independent Directors. The Board provides entrepreneurial leadership, set strategic aims, and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. It also establishes a framework of prudent and effective controls which enable risks to be assessed and managed. In addition, it reviews management performance, set the Group’s values and standards, and ensure that obligations to shareholders and others are understood and met.

The key responsibilities of the Board include:

- Approving business direction and strategies;
- Monitoring management’s performance;
- Ensuring the adequacy, efficiency and effectiveness of internal controls, risk management procedures, financial reporting and compliance;
- Approving annual budget, major funding, investment and divestment proposals;
- Approving the nominations of the Board of Directors and appointments to the various Board committees; and
- Assuming the responsibility for overall corporate governance of the Group.

The Group has in place, a set of internal guidelines setting forth matters that require the Board’s approval. Matters that specifically require the Board’s approval are those involving:

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

To ensure smooth and effective running of the Group and to facilitate decision making, the Board has established various committees to assist in the discharge of its responsibilities. These committees operate under clearly defined terms of reference, which are headed by Independent Directors. The three committees are:

- Audit Committee (“AC”)
- Nominating Committee (“NC”)
- Remuneration Committee (“RC”)

The Board meets regularly at least four times a year, to coincide with the announcement of the Group’s quarterly results. Ad-hoc Board meetings are also convened as and when deemed necessary by the Board to address any specific or significant matters that may arise. At meetings of the Board, the Directors are free to discuss and openly challenge the views presented by management and other Directors. The decision making process is an objective one. In lieu of physical meetings, written resolutions are also circulated for approval by the members of the Board.

# CORPORATE GOVERNANCE REPORT

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 Board meetings held and the attendance of each board member at the meetings for the year ended 31 December 2016 are disclosed below:

Name of Director	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No Held	No Attended	No Held	No Attended	No Held	No Attended	No Held	No Attended
Mr Luong Andy <sup>+^</sup>	4	4	N.A	N.A	1	1	N.A	N.A
Mr Loh Meng Chong Stanley <sup>+</sup>	4	4	N.A	N.A	N.A	N.A	N.A	N.A
Mr Chay Yiowmin <sup>#*</sup>	4	4	4	4	1	1	4	4
Mr Oh Kean Shen <sup>#*</sup>	4	4	4	4	1	1	4	4
Ms Gn Jong Yuh Gwendolyn <sup>#*</sup> (Appointed on 5 May 2016)	3	3	3	3	0	0	3	3
Mr Soh Gim Teik <sup>#*</sup> (Retired on 28 April 2016)	1	1	1	1	1	1	1	1

- <sup>^</sup> Executive Chairman
- <sup>+</sup> Executive Director
- <sup>#</sup> Non-Executive Director
- <sup>\*</sup> Independent Director

Mr Soh Gim Teik retired as Non-Executive Chairman and Independent Director and member of Audit, Nominating and Remuneration Committees of the Company after the close of business at the Annual General Meeting on 28 April 2016. On 5 May 2016, Ms Gn Jong Yuh Gwendolyn was appointed as an independent director of the Company.

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

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

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

## Board Composition and Balance – Principle 2

As at 31 December 2016, the Board comprises five directors. The Chief Executive Officer ("CEO"), who is also the Executive Chairman, is one of two Executive Directors whilst the remaining three Directors, are Non-Executive and Independent Directors of the Company. There is a strong independent element on the Board, with Independent Directors constituting more than half of the Board. They constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

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

The NC and the Board has set in place a process to determine annually whether a Director who has served on the Board beyond nine years from the date of his first appointment, is independent, taking into account the need for progressive refreshing of the Board. Currently, no Independent Directors except Mr Oh Kean Shen has served on the Board for more than nine years. Mr Oh has expressed the desire to step down so as to enable board renewal. Upon the request of the Board, he has kindly agreed to stay until the Company finds a suitable replacement.

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

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

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

### **Chairman and Chief Executive Officer – Principle 3**

Mr Luong Andy is currently the Executive Chairman of the Board and also the Chief Executive Officer of the Group. The Board is of the view that accountability and independence have not been compromised despite the Chairman and Chief Executive Officer being the same person. The Chairman and Chief Executive Officer have defined responsibilities which, during his tenure so far, have not conflicted with each other. Major business proposals are discussed at Board meetings before decisions are made. The Board believes there is sufficient element of independence and adequate safeguards against a concentration of power in one single person. As the Chairman, Mr Luong’s responsibilities, among others, include the following:

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

The Board has appointed Mr Chay 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 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](mailto:y.chay@umsgroup.com.sg) where they have concerns which contact through the normal channels of the Chairman and Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is not appropriate.

## Board Membership – Principle 4

### Guideline 4.1 – Composition of Nominating Committee

The appointment of new directors to the Board is recommended by the Nominating Committee (“NC”). The NC comprises three Non-Executive Directors and one Executive Director, namely Mr Oh Kean Shen, Mr Chay Yiowmin, Ms Gn Jong Yuh Gwendolyn and Mr Luong Andy.

Name	Role in NC	Role In Board
Mr Oh Kean Shen	Chairman	Independent and Non-Executive Director
Mr Luong Andy	Member	Chief Executive Officer and Executive Chairman
Mr Chay Yiowmin	Member	Independent and Non-Executive Director
Ms Gn Jong Yuh Gwendolyn (Appointed on 5 May 2016)	Member	Independent and Non-Executive Director
Mr Soh Gim Teik (Retired on 28 April 2016)	Member	Chairman, Independent and Non-Executive Director

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

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

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

Currently, the Company does not have alternate directors.

### Guideline 4.5 – Selection and appointment of new Director

In identifying for appointment of new Directors, the NC applies the following main principles:-

- The Board shall have a majority of Directors who are not substantial shareholders of the Company and are independent of the substantial shareholders of the Company; and
- The NC must be satisfied that each candidate is fit and proper for the position or office and is the best or most qualified candidate nominated for the position or office taking into account the candidate’s track record, age, experience, capabilities, and other relevant factors.

Under the Constitution of the Company, the Directors (excluding the Chief Executive Officer) are required to retire at least once every three years. The NC assesses and recommends to the Board whether the retiring Directors are suitable for re-election. The NC considers that the multiple board representations held presently by some of the Directors do not impede their performance in carrying out their duties to the Company and in fact, enhances the performance of the Board as it broadens the range of the experience and knowledge of the Board.

## Board Performance – Principle 5

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

The NC is responsible for the following functions:-

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

## Access to Information – Principle 6

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

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

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

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

## Procedures for Developing Remuneration Policies – Principle 7

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

# CORPORATE GOVERNANCE REPORT

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

Name	Role in RC	Role In Board
Ms Gn Jong Yuh Gwendolyn (Appointed on 5 May 2016)	Chairman	Independent and Non-Executive Director
Mr Chay Yowmin	Member	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director
Mr Soh Gim Teik (Retired on 28 April 2016)	Member	Chairman, Independent and Non-Executive Director

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

The RC’s responsibilities include the following:

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

## Level and Mix of Remuneration – Principle 8

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the Company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance.

The RC adopts a formal procedure for fixing the remuneration packages of individual directors. In setting the remuneration package of the individual directors, the Company takes into consideration the following factors:

- Pay and employment conditions within the industry and in comparable companies;
- The Company’s relative performance and the performance of the individual directors;
- The attractiveness of the remuneration package so as to retain the directors and motivate them to run the Company successfully;
- Significance of performance related elements of remuneration; and
- Effort, time spent and responsibilities of the individual directors.

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

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



**Disclosure on Remuneration – Principle 9****Executive Directors:**

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

**Non-Executive Directors:**

Non-Executive Directors are paid a director's fee on a quarterly basis in arrears. In determining the quantum of director's fees, factors such as effort and time spent, and responsibilities of the directors are taken into account. Non-Executive Directors are paid a basic fee and allowance for attending any additional meeting. An additional fee for serving as Chairman on any committee is also being paid to Non-Executive Directors. The RC ensures that none of the Non-Executive Directors are over-compensated to the extent that their independence may be compromised. The director's fees are subject to shareholders' approval at the Annual General Meeting.

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

**Guideline 9.1 Remuneration Details of the Directors**

The remuneration of Directors for the year ended 31 December 2016 is set out below:

<b>Name of Director</b>	<b>Salary</b>	<b>Variable Bonus and Incentives</b>	<b>Allowances</b>	<b>Central Provident Fund Contribution</b>	<b>Directors Fees</b>	<b>Total</b>
	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
<b>Non- Executive Directors</b>						
<b>Below S\$250,000</b>						
Mr Chay Yiowmin	–	–	–	–	63,740	63,740
Mr Oh Kean Shen	–	–	–	–	58,739	58,739
Ms Gn Jong Yuh Gwendolyn # (Appointed on 5 May 2016)	–	–	–	–	24,493	24,493
Mr Soh Gim Teik # (Retired on 28 April 2016)	–	–	–	–	39,014	39,014
<b>Executive Directors</b>						
<b>S\$2,500,000 to S\$2,749,999</b>						
Mr Luong Andy	526,462	1,958,850	207,600	13,260	–	2,706,172
<b>Percentage Breakdown</b>						
<b>Name of Director</b>	<b>Salary</b>	<b>Variable Bonus and Incentives</b>	<b>Allowances</b>	<b>Central Provident Fund Contribution</b>	<b>Directors Fees</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>S\$250,000 to S\$499,999</b>						
Mr Loh Meng Chong Stanley	45%	48%	4%	3%	–	100%

# Remuneration figures are pro-rated

# CORPORATE GOVERNANCE REPORT

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

The breakdown remuneration of the top 5 key executives (who are not Directors of the Company) in percentage terms for the year ended 31 December 2016 is set out below:

Name of Key Executive	Salary	Allowances	Bonus	Central Provident Fund Contribution	Total
	%	%	%	%	%
<b>S\$250,000 to S\$499,999</b>					
Mr Kay Tan Kian Hong	60%	0%	40%	0%	100%
<b>Below S\$250,000</b>					
Ms Khoo Guek Fong	32%	4%	59%	5%	100%
Mr Gobinath A/L Gunaselan	56%	7%	27%	10%	100%
Ms Pang Su Chun	66%	4%	19%	11%	100%
Mr Gajendran Rajendra Babu	66%	7%	13%	14%	100%

The total remuneration paid to the above key management personnel for the financial year ended 31 December 2016 was S\$0.85M.

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

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

## Accountability – Principle 10

The Board is accountable to the shareholders while the Management is accountable to the Board.

As defined in the Code, the Board presents to shareholders a balanced and understandable assessment of the Group's performance, position and prospect. The Management provides all Board members with management reports and accounts which represent balanced, understandable assessment of the Group's performance, position and prospects on a quarterly basis.

It is the Board's policy to provide the shareholders with all important and price sensitive information. These are done through the SGXNET during the quarterly announcements as and when necessary.

## Audit Committee – Principle 12

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

Name	Role in AC	Role In Board
Mr Chay Yowmin	Chairman	Independent and Non-Executive Director
Mr Oh Kean Shen	Member	Independent and Non-Executive Director
Ms Gn Jong Yuh Gwendolyn (Appointed on 5 May 2016)	Member	Independent and Non-Executive Director
Mr Soh Gim Teik (Retired on 28 April 2016)	Member	Chairman, Independent and Non-Executive Director

The Audit Committee 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 Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

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

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

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

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

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

The AC has also put in place an anti fraud policy, whereby staff and business associates of the Group may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions.

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

The Company has appointed a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit. Moore Stephens LLP was appointed as the Company's external auditors on 7 November 2007. Mr Christopher Bruce Johnson was appointed with effect from financial year ended 31 December 2013 as the audit engagement partner in charge of the audit of the Company. The Company confirms that Rule 712 of the SGX-ST's Listing Manual is complied with.

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

In the review of the Group's financial statements, the AC discussed with Management the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, the AC reviewed, amongst other matters, the key audit matters, as reported by the external auditors for the financial year ended 31 December 2016.

For FY2016, the total amount of fees in respect of statutory audit services provided by the external auditors for the Group amounted to approximately S\$206,000.

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

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

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

The Group has established a system of internal controls to address the financial, operational and compliance risks of the Group. The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's overall internal control framework, and for reviewing the adequacy and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the Group's key executives and the CEO and CFO have confirmed the adequacy and effectiveness of the internal controls and risk management systems and the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances. It should be noted, in the opinion of the Board, that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The AC selects and approves the appointment of the internal auditor ("IA"). The IA function of the Group is outsourced to KPMG Services Pte Ltd ("KPMG"). The IA reports to the AC. The AC had reviewed and approved the internal audit plan and reviewed the results of the internal audit. The AC is satisfied that the internal audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

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

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

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

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

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

## Shareholder Rights and Responsibilities – Principles 14, 15 and 16

The Board's policy is that shareholders and the public should be equally and timely informed of all major developments that may impact materially on the Company.

The Company strives for timeliness and transparency in its disclosure to the shareholders and the public.

The Company communicates pertinent and timely information to its shareholders through:-

- The Company's annual reports which are prepared and issued to all shareholders containing all relevant information about the Group, including future developments and other disclosures required by the Singapore Companies Act and the Singapore Financial Reporting Standards;
- Announcement of quarterly, half-yearly and full-year's results on the Singapore Exchange Securities Trading Limited's SGXNET;
- Press releases on major developments of the Group;
- Responding to all enquiries from investors, analysts, fund managers and the media through its Corporate Communications and Investor Relations department;
- Formal and informal media and analysts' briefings for the Group's interim and annual financial results, chaired by the CEO, as appropriate; and
- The Group's website at [www.umsgroup.com.sg](http://www.umsgroup.com.sg) from which shareholders can access information about the Group including all publicly disclosed financial information, corporate announcements, press releases, annual reports and profiles of the Group.

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

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

The Company's Constitution provides for a shareholder of the Company to appoint one or two proxies to attend the Annual General Meeting and to vote in place of the shareholders. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures. The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages after the conclusion of the AGM. The Company prepares minutes of general meetings and makes these minutes of the discussion at the general meetings available to shareholders upon their request.

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

The Chairman of the Board, Audit, Remuneration and Nominating Committees and Management are required to be present at these meetings to address any questions that the shareholders may have. The Company's external auditors are also invited to attend the Annual General Meeting and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report. The Board values shareholders' feedback and input.

## **Dividend Policy**

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

Over the past five years, the Group has declared total annual dividends at the rate of approximately 75% to 114% of the net profit after tax based on the audited consolidated financial statements. Any dividend payments are clearly communicated to shareholders via announcements on SGXNET.

## **Dealing in Company's Securities**

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

## **Interested Person Transactions and Material Contracts**

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

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

Except as disclosed in the interested person transactions note found on the supplementary financial information disclosures page of this Annual Report, there was no material contract or loan entered into between the Company and any of its subsidiaries involving interests of any of the CEO, Director or controlling shareholder, either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.

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# DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

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 2016, and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 38 to 88 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 2016 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 Oh Kean Shen	Independent Director
Mr Chay Yiowmin	Independent Director
Ms Gn Jong Yuh Gwendolyn	Independent Director (Appointed on 5 May 2016)

## Arrangements to Enable Directors to Acquire Shares or Debentures

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

## Directors' Interests in Shares or Debentures

The directors of the Company holding office at the beginning or the date of appointment, and the end of the financial year had no interests in the shares or debentures of the Company and related corporations (other than wholly-owned subsidiaries) as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors and the Company	Held in the name of the directors		Deemed interest	
	as at 1.1.16	as at 31.12.16	as at 1.1.16	as at 31.12.16
<b>UMS Holdings Limited (the Company)</b>			<u>No. of Ordinary shares</u>	
Mr Luong Andy	–	–	85,859,000	85,859,000
Mr Loh Meng Chong Stanley	250,000	250,000	–	–

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2017.



## 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)

Mr Oh Kean Shen

Ms Gn Jong Yuh Gwendolyn (Appointed on 5 May 2016)

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

- (a) Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- (b) Reviewed the quarterly financial information and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- (c) Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- (d) Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- (e) Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (f) Reviewed the cost effectiveness and the independence and objectivity of the external auditor; and the nature and extent of non-audit services provided by the external auditor;
- (g) Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (h) Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- (i) Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

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

The AC has held five 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.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

## **Audit Committee (cont'd)**

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

## **Independent Auditors**

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

On behalf of the Board of Directors,

.....  
LUONG ANDY

Singapore  
20 March 2017

.....  
LOH MENG CHONG, STANLEY

## 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"), as set out on pages 38 to 88, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and 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 balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the 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.

#### **Revenue Recognition**

We refer to Note 3(r) and Note 5 to the consolidated financial statements.

#### *Risk:*

For the financial year ended 31 December 2016, the Group has recorded revenue from the sales of goods amounting to S\$103,128,000.

Under SSA 240, *The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements*, revenue recognition is a presumed fraud risk. Revenue recognition is susceptible to the higher risk that the revenue is recognised before the transfer of risks and rewards of ownership of goods to the customers.

#### *Our response:*

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

- Assessed and tested the key controls in the revenue recognition process over the capture, authorisation, and recording of the revenue transactions.
- Tested the effectiveness of controls on the processes related to revenue recognition relevant to our audit.
- Performed sample testing on revenue and checked that the revenue recognition criteria are appropriately applied.
- Performed cut-off tests to check whether the Group has complied with proper cut-off procedures and revenue is recognised in the appropriate accounting period.

## Key Audit Matters (cont'd)

### Revenue Recognition (cont'd)

#### Our findings:

We found the Group's revenue recognition to be in line with its accounting policy as disclosed in Note 3(r) to the consolidated financial statements. Revenue has been recognised appropriately and in the relevant accounting period.

### Valuation of Inventories

We refer to Note 3(h) and Note 15 to the consolidated financial statements.

#### Risk:

The carrying value of inventories amounted to S\$31,725,000, which accounted for 15% of the Group's total assets as at 31 December 2016.

Inventory is carried in the consolidated financial statements at the lower of cost and net realisable value. We focused on this area because of the high degree of management judgement required in determining the allowance for inventory obsolescence and the net realisable value of the inventories. The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

#### Our response:

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

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

#### Our findings:

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

### Impairment of Goodwill

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

#### Risk:

As at 31 December 2016, the carrying amount of the Group's goodwill amounted to S\$80,083,000.

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

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

## **Key Audit Matters (cont'd)**

### ***Impairment of Goodwill*** (cont'd)

#### *Risk:* (cont'd)

Based on the impairment test performed by management, the Group recorded an impairment loss amounting to S\$1,600,000 during the current financial year ended 31 December 2016.

#### *Our response:*

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

- Conducted a detailed discussion with the Group's key management and finance key personnel and reviewed the impairment assessment process over the determination of the relevant cash generating units and estimates for forecasted revenues, growth rates, profit margin, tax rates and discount rates.
- Challenged management's estimates applied in the value-in-use models based on our knowledge of the Group's business activities, and compared them against historical forecasts and performance, and industry benchmarks.
- Evaluated the Group's planned strategies around revenue growth and cost controls and the sensitivity analysis of the possible increase or decrease in the estimated growth rate and discount rate used in the value-in-use models.

#### *Our findings:*

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

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

Based on our procedures, we noted that management's analysis and assessment, including sensitivity analysis, on the recoverability of goodwill net of an impairment loss of S\$1,600,000 can be supported.

Furthermore, we evaluated the adequacy of the Group's disclosures regarding the impairment 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 annual report on page 1 to page 96 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 FRSs, 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.
- 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.

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Christopher Bruce Johnson.

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

Singapore  
20 March 2017

# CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	Group	
		2016 S\$'000	2015 S\$'000
Revenue	5	104,204	111,090
Changes in inventories		(5,636)	4,034
Raw material purchases and subcontractor charges		(42,179)	(48,216)
Employee benefits expense	6	(11,549)	(13,517)
Depreciation expense	17, 18	(5,434)	(7,425)
Other expenses	7	(10,053)	(11,838)
Other (charges)/credits	8	(4,713)	2,509
Finance income	9	148	128
Finance expense	10	(3)	–
Share of result of associate (net of income tax)	19	(48)	–
<b>Profit before income tax</b>		<b>24,737</b>	<b>36,765</b>
Income tax	11	(2,146)	(2,466)
<b>Net profit for the year attributable to the owners of the Company</b>		<b>22,591</b>	<b>34,299</b>
<b>Earnings per share</b>			
- Basic	12	5.26 cents	7.99 cents
- Diluted	12	5.26 cents	7.99 cents

The accompanying notes form an integral part of the financial statements



# CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2016

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Net profit for the year</b>	<b>22,591</b>	<b>34,299</b>
<b>Other comprehensive loss, net of income tax:</b>		
<i>Items that may be classified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>(1,817)</b>	<b>(4,883)</b>
<b>Total comprehensive income for the year attributable to the owners of the Company</b>	<b>20,774</b>	<b>29,416</b>

The accompanying notes form an integral part of the financial statements

# BALANCE SHEETS

As at 31 December 2016

	Note	Group		Company	
		2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and bank balances	13	42,620	38,933	329	223
Trade receivables and other current assets	14	20,944	12,420	3,618	4,226
Inventories	15	31,725	37,361	–	–
<b>Total Current Assets</b>		<b>95,289</b>	<b>88,714</b>	<b>3,947</b>	<b>4,449</b>
<b>Non-Current Assets</b>					
Investments in subsidiaries	16	–	–	192,415	192,415
Property, plant and equipment	17	31,704	34,807	–	–
Investment property	18	2,284	2,411	–	–
Investment in associate	19	–	–	–	–
Loan to associate	20	828	–	828	–
Goodwill	21	80,083	81,683	–	–
<b>Total Non-Current Assets</b>		<b>114,899</b>	<b>118,901</b>	<b>193,243</b>	<b>192,415</b>
<b>Total Assets</b>		<b>210,188</b>	<b>207,615</b>	<b>197,190</b>	<b>196,864</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Bank borrowings	22	249	–	–	–
Trade and other payables	23	16,563	9,760	6,067	7,981
Income tax payable		2,210	1,975	7	21
<b>Total Current Liabilities</b>		<b>19,022</b>	<b>11,735</b>	<b>6,074</b>	<b>8,002</b>
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	11	1,243	972	–	–
Long-term provision	24	433	443	–	–
<b>Total Non-Current Liabilities</b>		<b>1,676</b>	<b>1,415</b>	<b>–</b>	<b>–</b>
<b>Total Liabilities</b>		<b>20,698</b>	<b>13,150</b>	<b>6,074</b>	<b>8,002</b>
<b>Capital and Reserves</b>					
Share capital	25	136,623	136,623	136,623	136,623
Reserves	26	(10,963)	(9,146)	–	–
Retained earnings		63,830	66,988	54,493	52,239
<b>Total Equity</b>		<b>189,490</b>	<b>194,465</b>	<b>191,116</b>	<b>188,862</b>
<b>Total Liabilities and Equity</b>		<b>210,188</b>	<b>207,615</b>	<b>197,190</b>	<b>196,864</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2016

	Note	Share Capital S\$'000	Foreign Exchange Translation Reserve S\$'000	Retained Earnings S\$'000	Total S\$'000
<b>Group</b>					
Balance at 1 January 2016		136,623	(9,146)	66,988	194,465
Net profit for the year		–	–	22,591	22,591
Other comprehensive loss for the year - Exchange differences on translation of foreign operations		–	(1,817)	–	(1,817)
Total comprehensive income for the year		–	(1,817)	22,591	20,774
Dividends	27	–	–	(25,749)	(25,749)
Balance at 31 December 2016		<b>136,623</b>	<b>(10,963)</b>	<b>63,830</b>	<b>189,490</b>
Balance at 1 January 2015		136,623	(4,263)	58,438	190,798
Net profit for the year		–	–	34,299	34,299
Other comprehensive loss for the year - Exchange differences on translation of foreign operations		–	(4,883)	–	(4,883)
Total comprehensive income for the year		–	(4,883)	34,299	29,416
Dividends	27	–	–	(25,749)	(25,749)
Balance at 31 December 2015		136,623	(9,146)	66,988	194,465

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	Group	
		2016 S\$'000	2015 S\$'000
<b>Cash Flows from Operating Activities</b>			
Profit before income tax		24,737	36,765
Adjustments for:			
Impairment of goodwill	8	1,600	–
Depreciation expense	17, 18	5,434	7,425
Property, plant and equipment written off	8	20	213
Unwinding discount on long-term provision	9	(10)	(10)
Gain on disposal of property, plant and equipment	8	(7)	(20)
Write back for doubtful debts (trade)	8	–	(36)
Allowance for doubtful debts (non-trade)	8	–	308
Inventories written off	8	780	438
Allowance for inventories obsolescence	8	3,662	642
Reversal of allowance for inventories obsolescence	8	–	(1,017)
Interest income	9	(138)	(118)
Interest expense	10	3	–
Share of result of associate (net of income tax)	19	48	–
Unrealised foreign exchange gain		(117)	(1,125)
Operating cash flows before working capital changes		36,012	43,465
Changes in working capital:			
Trade receivables and other current assets		(8,593)	(380)
Inventories		1,257	(4,120)
Trade and other payables		7,870	(427)
<b>Cash generated from operations</b>		<b>36,546</b>	<b>38,538</b>
Income tax paid		(2,677)	(2,766)
<b>Net cash generated from operating activities</b>		<b>33,869</b>	<b>35,772</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from disposal of property, plant and equipment		7	20
Purchase of property, plant and equipment	17	(2,625)	(4,478)
Improvement to investment property	18	(65)	–
Loan to associate	20	(828)	–
Investment in associate	19	(48)	–
Interest received		138	118
<b>Net cash used in investing activities</b>		<b>(3,421)</b>	<b>(4,340)</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2016

	Note	Group	
		2016 S\$'000	2015 S\$'000
<b>Cash Flows from Financing Activities</b>			
Proceeds from bank borrowings		1,249	–
Repayment of bank borrowings		(1,000)	–
Dividends paid	27	(25,749)	(25,749)
Withdrawal of fixed deposit - restricted		–	247
Interest paid		(3)	–
<b>Net cash used in financing activities</b>		<b>(25,503)</b>	<b>(25,502)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,945</b>	<b>5,930</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>38,933</b>	<b>33,543</b>
Net effect of exchange rate changes on the balances of cash and cash equivalents held in foreign currencies		(1,258)	(540)
<b>Cash and cash equivalents at the end of the year</b>		<b>42,620</b>	<b>38,933</b>

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

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

## 1 General

UMS Holdings Limited (the “Company”) is a public limited company incorporated and domiciled in Singapore, and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The controlling shareholder of the Company is Mr Luong Andy.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 16.

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

The financial statements for the financial year ended 31 December 2016 were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors’ Statement.

## 2 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”).

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

### *Adoption of New/Revised FRS*

The accounting policies adopted are consistent with those of the previous financial year except 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 2016 as follows:

		<b>Effective for annual financial periods beginning on or after</b>
Amendments to FRS 1	<i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to FRS 16	<i>Clarification of acceptable methods of depreciation</i>	1 January 2016
Amendments to FRS 27	<i>Equity Method in Separate Financial Statements</i>	1 January 2016

The adoption of these amendments to FRS did not result in substantial changes to the Group’s accounting policies and had no any effect on the Group’s financial performance or financial position.

## 2 Basis of Preparation (cont'd)

### *New/Revised FRS which are not yet effective*

At the date of these financial statements, the following new/revised FRS that are relevant to the Group were issued but are not yet effective:

		<b>Effective for annual financial periods beginning on or after</b>
Amendments to FRS 7	<i>Statement of Cash Flows</i>	1 January 2017
Amendments to FRS 12	<i>Recognition of deferred tax assets for unrealised losses</i>	1 January 2017
FRS 109	<i>Financial Instruments</i>	1 January 2018
FRS 115	<i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116	<i>Leases</i>	1 January 2019

Except for FRS 115, FRS 109 and FRS 116 described below, management anticipates that the adoption of the other new/revised FRS above in future period will have no material impact on the financial statements in the period of initial application.

#### FRS 109 *Financial Instruments*

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

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

The Group assesses that adopting FRS 109 will not have a material impact to the Group's financial statements.

#### FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group assesses that adopting FRS 115 will not have a material impact to the Group's financial statements.

## 2 Basis of Preparation (cont'd)

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

#### FRS 116 *Leases*

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*.

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for accounting periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116. The Group has entered into lease agreements, which are expected to be recognised as right-of-use assets with corresponding lease liabilities under the new standard. The Group plans to adopt FRS 116 when it becomes effective in 2019 and will perform a more in-depth analysis of the quantitative effects in future financial years prior to adoption.

## 3 Summary of Significant Accounting Policies

### (a) Basis of Consolidation

#### Subsidiaries

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

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

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

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



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

#### (a) Basis of Consolidation (cont'd)

##### Subsidiaries (cont'd)

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

##### Change in ownership interests in subsidiaries without change of control

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

##### 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.

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

### (b) Goodwill on Consolidation

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of 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 the fair value of the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss.

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

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

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

### (c) Investments in Subsidiaries

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

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

### (d) Investments in Associates

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

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

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

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

### (d) Investments in Associates (cont'd)

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

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

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

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

### (e) Property, Plant and Equipment

#### Measurement

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

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

#### Depreciation

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

Freehold buildings	–	50 years
Leasehold properties	–	60 years
Plant and equipment	–	3 to 10 years

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

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

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

The estimated residual values, useful lives and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis. This ensures that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the item of property, plant and equipment.

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

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

#### Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised, is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard performance of the asset before the expenditure was made, will flow to the Group and the cost of the item can be reliably measured. Other subsequent expenditure is recognised as an expense during the year in which it is incurred.

#### Disposal

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

### (f) Investment Property

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

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

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 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.

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

#### (i) Impairment of Non-financial Assets Excluding Goodwill

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

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

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

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

##### Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

### (k) Financial Assets (cont'd)

#### Recognition and derecognition

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

#### Initial measurement

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

#### Subsequent measurement

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

#### Impairment

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

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

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

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

### (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.

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

#### (m) Financial Liabilities

Financial 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 (if any) 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.

#### (n) Provisions

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

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

#### (o) Employee Benefits

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

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

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

#### (p) Share Capital

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

#### (q) Dividends to Company's Shareholders

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

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

### (r) Revenue Recognition

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

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

#### (i) *Sale of goods*

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

#### (ii) *Rental income*

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

#### (iii) *Interest income*

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

### (s) Operating Leases

#### As lessor

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

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

#### As lessee

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

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



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

#### (t) Income Tax

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

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred tax

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

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

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

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

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

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

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

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

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

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

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

### (t) Income Tax (cont'd)

#### Deferred tax (cont'd)

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

#### Current and deferred tax for the year

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

### (u) Foreign Currencies

#### Functional and presentation currency

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

#### Transactions and balances

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

At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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.

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

#### (u) Foreign Currencies (cont'd)

##### Translation of Group entities' financial statements

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

- Assets and liabilities are translated at the closing exchange rate at the balance sheet date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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

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

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

#### (v) Segment Reporting

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

#### (w) Related Parties

A related party is defined as follows:

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

- a. A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

(w) Related Parties (cont'd)

- b. An entity is related to a reporting entity if any of the following conditions applies:
- i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - iii. both entities are joint ventures of the same third party;
  - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - vi. the entity is controlled or jointly controlled by a person identified in (a);
  - vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### 4 Critical Accounting Estimates and Judgements

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

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

(a) Key Sources of Estimation Uncertainty

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

*Useful lives of property, plant and equipment and investment property*

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

There is no change in the estimated useful lives of property, plant and equipment and investment property during the financial year. The carrying amounts of property, plant and equipment (excluding capital work-in-progress) and investment property of the Group as at 31 December 2016 amounted to S\$31,704,000 (2015: S\$34,807,000) and S\$2,284,000 (2015: S\$2,411,000) respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximate 1.0% (2015: 0.8%) change in the Group's net profit for the year. Further details are given in Notes 17 and 18.

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

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

###### *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.

As at 31 December 2016, the Group recognised an impairment loss on its goodwill of S\$1,600,000 (2015: Nil), which resulted in the carrying amount of goodwill reduced to S\$80,083,000 (2015: S\$81,683,000). Further details are given in Note 21.

###### *Provision for dismantling and restoration*

The Group has recognised a provision for dismantling and removing the items and restoring the existing factory to its original condition. In determining the amount of the provision, assumption and estimates are made in relation to the discount rate, expected cost to dismantle and remove all plant from the factory site and expected timing of those costs.

The carrying amount of the provision as at 31 December 2016 was S\$433,000 (2015: S\$443,000) (Note 24). If the estimated pre-tax discount rate used in the calculation had been 1% higher than the management estimates, the carrying amount of the provision would have been S\$4,000 (2015: S\$4,000) lower.

##### (b) Critical Judgements in applying Accounting Policies

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

###### *Impairment of trade and other receivables*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency, current economic trends and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the total carrying amounts of trade and other receivables (including loan to associate) of the Group and the Company as at 31 December 2016 amounting to S\$20,116,000 (2015: S\$12,051,000) and S\$4,432,000 (2015: S\$4,212,000) (Note 14 and Note 20) respectively.

No allowance for impairment loss has been recognised on trade and other receivables during the financial year ended 31 December 2016 (2015: reversal of allowance for impairment of S\$36,000) (Note 8).

The Group's allowance for impairment of trade and other receivables as at 31 December 2016 amounted to S\$308,000 (2015: S\$308,000) (Note 14).

###### *Allowance for inventories obsolescence*

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. 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 2016, the Group recognised a net allowance for inventory obsolescence of S\$3,662,000 (2015: a net reversal for allowance for inventory obsolescence of S\$375,000) (Note 8). In addition, inventory amounting to S\$780,000 (2015: S\$438,000) was written off during the financial year ended 31 December 2016.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 5 Revenue

	Group	
	2016 S\$'000	2015 S\$'000
Sale of goods	103,128	109,575
Rental income	1,076	1,515
	<b>104,204</b>	<b>111,090</b>

## 6 Employee Benefits Expense

	Group	
	2016 S\$'000	2015 S\$'000
Salaries and wages	(8,579)	(9,737)
Expenses on executive bonus plan to key management personnel	(1,664)	(2,350)
Contributions to defined contribution plans	(1,306)	(1,430)
	<b>(11,549)</b>	<b>(13,517)</b>

## 7 Other Expenses

	Group	
	2016 S\$'000	2015 S\$'000
The major components include the following:		
Utilities	(2,605)	(2,955)
Rental expense	(1,099)	(1,556)
Upkeep of machinery	(1,861)	(2,622)
Freight charges	(439)	(532)
Legal and professional fees	(1,292)	(1,245)
Auditor's remuneration		
- Company's auditors	(197)	(202)
- Other auditors	(9)	(9)
Upkeep of properties	(477)	(736)
Insurance	(462)	(534)
Property tax	(255)	(291)
Others	(1,357)	(1,156)
	<b>(10,053)</b>	<b>(11,838)</b>

There were no non-audit fees paid/payable to the Company's auditors during the financial years ended 31 December 2016 and 2015.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 8 Other (Charges)/Credits

	Group	
	2016 S\$'000	2015 S\$'000
Property, plant and equipment written off	(20)	(213)
Allowance for doubtful debts (non-trade)	–	(308)
Impairment of goodwill (Note 21)	(1,600)	–
Write back for doubtful debts (trade)	–	36
Allowance for inventories obsolescence	(3,662)	(642)
Reversal of allowance for inventories obsolescence	–	1,017
Foreign exchange gains - net	1,221	2,893
Inventories written off	(780)	(438)
Gain on disposal of property, plant and equipment	7	20
Others	121	144
	<b>(4,713)</b>	<b>2,509</b>

## 9 Finance Income

	Group	
	2016 S\$'000	2015 S\$'000
Interest income from cash and cash equivalents	120	118
Finance income		
- Unwinding discount on long-term provision (Note 24)	10	10
Interest income from loan to associate	18	–
	<b>148</b>	<b>128</b>

## 10 Finance Expense

	Group	
	2016 S\$'000	2015 S\$'000
Interest expense - bank borrowings	(3)	–

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 11 Income Tax

	Group	
	2016	2015
	S\$'000	S\$'000
Current income tax:		
- current year	1,942	3,214
- over provision in respect of prior years	(67)	(383)
Deferred taxation:		
- current year	271	(365)
	<b>2,146</b>	<b>2,466</b>

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	
	2016	2015
	S\$'000	S\$'000
Profit before income tax	<b>24,737</b>	36,765
Tax at the applicable tax rate of 17% (2015: 17%)	4,205	6,250
Tax effect of non-deductible items*	2,157	1,379
Income not subject to taxation*	(822)	(1,356)
Over provision of income tax in respect of prior years	(67)	(383)
Tax exemption	(4,137)	(5,209)
Singapore statutory stepped exemption	(160)	(206)
Effect of different tax rates operating in other jurisdictions	970	1,991
	<b>2,146</b>	<b>2,466</b>

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

The applicable tax rate used for the reconciliations above is the corporate tax rate of 17% (2015: 17%) payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction.

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

The Malaysian statutory tax rate was reduced to 24% from the prior year's tax rate of 25%, which was effective from the year of assessment 2016, which is the financial year ended 31 December 2016.



## 11 Income Tax (cont'd)

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

	At the beginning of the year S\$'000	Debited/ (Credited) to income statement S\$'000	At the end of the year S\$'000
<b>Group</b>			
<u>2016</u>			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	984	278	1,262
Total deferred tax liabilities	984	278	1,262
Deferred tax assets:			
Provisions	(12)	(7)	(19)
Total deferred tax assets	(12)	(7)	(19)
Net deferred tax liabilities	972	271	1,243
<u>2015</u>			
Deferred tax liabilities:			
Excess of net book value of property, plant and equipment	1,344	(360)	984
Total deferred tax liabilities	1,344	(360)	984
Deferred tax assets:			
Provisions	(7)	(5)	(12)
Total deferred tax assets	(7)	(5)	(12)
Net deferred tax liabilities	1,337	(365)	972

As at 31 December 2016, a subsidiary has unutilised tax losses of approximately S\$47,000 (2015: S\$47,000) available for offset against future taxable income, subject to agreement with the tax authorities on the relevant tax regulations. The tax losses have no expiry date. The deferred tax assets arising from these unutilised tax losses totalling approximately S\$8,000 (2015: S\$8,000) have not been recognised in accordance with the accounting policy in Note 3(f).

As at 31 December 2016, no deferred tax liability (2015: 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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	
	2016	2015
Net profit for the year (S\$'000)	22,591	34,299
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	429,143,947	429,143,947
Basic earnings per share (Singapore cents)	5.26	7.99
Diluted earnings per share (Singapore cents)	5.26	7.99

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 2016 and 2015.

## 13 Cash and Bank Balances

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash on hand and at banks, and short-term bank deposit (i)	37,280	36,097	329	223
Fixed deposit (i)	5,340	2,836	-	-
	<b>42,620</b>	<b>38,933</b>	<b>329</b>	<b>223</b>

(i) The rate of interest for the interest earning bank accounts and the fixed deposit is between Nil and 3.4% (2015: Nil and 3.4%) per annum.

## 14 Trade Receivables and Other Current Assets

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Trade receivables:				
Third parties	15,861	10,326	–	–
Related party	1,947	–	–	–
	<b>17,808</b>	<b>10,326</b>	<b>–</b>	<b>–</b>
Other receivables and deposits:				
Subsidiaries	–	–	3,579	4,205
Third parties	1,000	1,123	8	7
Related party	123	298	17	–
Deposits	665	612	308	308
Less: Allowance for impairment losses	(308)	(308)	(308)	(308)
	<b>1,480</b>	<b>1,725</b>	<b>3,604</b>	<b>4,212</b>
Prepayments	1,656	369	14	14
Trade receivables and other current assets	<b>20,944</b>	<b>12,420</b>	<b>3,618</b>	<b>4,226</b>

	Group			
	Trade		Non-trade	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Movements in the allowance for impairment of trade and other receivables are as follows:				
Balance at the beginning of the year	–	152	308	–
(Write back)/allowance during the year	–	(36)	–	308
Effect of foreign exchange	–	(30)	–	–
Bad debts written off	–	(86)	–	–
Balance at the end of the year	<b>–</b>	<b>–</b>	<b>308</b>	<b>308</b>

The average credit period generally granted for trade receivables is between 30 to 90 days (2015: 30 to 90 days).

Trade receivables amounting to S\$86,000, which were written off in prior financial year, relate to debtors that were in significant financial difficulties and have defaulted in payments. These trade receivables were not secured by any collateral.

The Group's trade receivables due from third parties include outstanding receivables which amounted to approximately S\$10.8 million (2015: S\$6.7 million) from a key customer which accounted for approximately 85% (2015: 86%) of the Group's total revenue for the current financial year. Management have considered these facts and have assessed that the Group's exposure to this key customer would not have an impact on the Group's financial performance and its ability to continue as a going concern in the foreseeable future.

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 15 Inventories

	Group	
	2016 S\$'000	2015 S\$'000
Lower of cost and net realisable values:		
Finished goods and goods for resale	5,515	6,278
Work-in-progress	15,932	20,208
Raw materials	10,278	10,875
	<b>31,725</b>	<b>37,361</b>
Cost of inventories sold recognised as cost of sales in the consolidated income statement	<b>47,815</b>	<b>44,182</b>

## 16 Investments in Subsidiaries

	Company	
	2016 S\$'000	2015 S\$'000
Unquoted equity shares, at cost	216,213	216,213
Less: Allowance for impairment loss	(23,798)	(23,798)
	<b>192,415</b>	<b>192,415</b>
Movements in the allowance for impairment loss of investments in subsidiaries:		
Balance at the beginning and the end of the year	<b>23,798</b>	<b>23,798</b>

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

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2016 %	2015 %	2016 S\$'000	2015 S\$'000
<i>Held by the Company</i>					
UMS Systems Pte Ltd (Singapore)	Assembly and integration of equipment and automated assembly lines	100	100	9,561	9,561
UMS International Pte Ltd (Singapore)	Investment holding	100	100	800	800
UMS Pte Ltd (Singapore)	Investment holding and precision machining of medical and wafer fabrication equipment parts manufacturers and providing electroplating and anodising services	100	100	127,081	127,081

## 16 Investments in Subsidiaries (cont'd)

Name of subsidiaries, place of business and incorporation	Principal activities	Effective percentage of equity held by Group		Company's cost of investment	
		2016 %	2015 %	2016 S\$'000	2015 S\$'000
<i>Held by the Company (cont'd)</i>					
UMS Aerospace Pte Ltd (Singapore)	Precision machining of machine parts for oilfield precision component manufacturers and other industries	100	100	20,000	20,000
Integrated Manufacturing Technologies Pte Ltd (Singapore)	Stainless steel gaslines and weldment manufacturing and assembly	100	100	19,803	19,803
Integrated Manufacturing Technologies Inc (United States) <sup>1</sup>	Stainless steel gaslines and weldment manufacturing and assembly	100	100	8,196	8,196
Ultimate Machining Solutions (M) Sdn. Bhd. (Malaysia) <sup>2</sup>	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100	30,772	30,772
				<b>216,213</b>	<b>216,213</b>
<i>Held through UMS International Pte Ltd</i>					
Ultimate Manufacturing Solutions (M) Sdn. Bhd. (Malaysia) <sup>2</sup>	Manufacture of precision machining components, assembly and integration of equipment and automated assembly lines	100	100		
<i>Held through UMS Pte Ltd</i>					
UMS Solutions Pte Ltd (Singapore)	Holder of investment property	100	100		

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

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

<sup>2</sup> Audited by Moore Stephens Associates & Co, Malaysia, a member firm of Moore Stephens International Limited, of which Moore Stephens LLP, Singapore is also a member.

# NOTES TO THE FINANCIAL STATEMENTS

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## 17 Property, Plant and Equipment

	Freehold land S\$'000	Freehold buildings S\$'000	Capital Work-in- progress S\$'000	Leasehold property S\$'000	Plant and equipment S\$'000	Total S\$'000
<b>Group</b>						
2016						
<u>Cost</u>						
At the beginning of the year	2,845	15,799	–	7,082	125,570	151,296
Effect of foreign currency exchange differences	(62)	(342)	–	–	(607)	(1,011)
Additions	–	–	–	–	2,625	2,625
Reclassification	–	–	–	–	–	–
Disposals/Write-off	–	–	–	–	(163)	(163)
At the end of the year	2,783	15,457	–	7,082	127,425	152,747
<u>Accumulated depreciation</u>						
At the beginning of the year	–	1,498	–	1,799	113,192	116,489
Effect of foreign currency exchange differences	–	(39)	–	–	(506)	(545)
Depreciation for the year	–	309	–	126	4,807	5,242
Disposals/Write-off	–	–	–	–	(143)	(143)
At the end of the year	–	1,768	–	1,925	117,350	121,043
<u>Net book value</u>						
At the end of the year	2,783	13,689	–	5,157	10,075	31,704
2015						
<u>Cost</u>						
At the beginning of the year	3,262	13,622	4,337	7,082	127,266	155,569
Effect of foreign currency exchange differences	(417)	(2,278)	–	–	(3,795)	(6,490)
Additions	–	118	–	–	4,360	4,478
Reclassification	–	4,337	(4,337)	–	–	–
Disposals/Write-off	–	–	–	–	(2,261)	(2,261)
At the end of the year	2,845	15,799	–	7,082	125,570	151,296
<u>Accumulated depreciation</u>						
At the beginning of the year	–	1,418	–	1,673	110,753	113,844
Effect of foreign currency exchange differences	–	(173)	–	–	(2,341)	(2,514)
Depreciation for the year	–	253	–	126	6,828	7,207
Disposals/Write-off	–	–	–	–	(2,048)	(2,048)
At the end of the year	–	1,498	–	1,799	113,192	116,489
<u>Net book value</u>						
At the end of the year	2,845	14,301	–	5,283	12,378	34,807

## 18 Investment Property

	Group	
	2016 S\$'000	2015 S\$'000
<u>Cost</u>		
At the beginning of the year	4,877	4,877
Additions	65	–
At the end of the year	<u>4,942</u>	<u>4,877</u>
<u>Accumulated depreciation</u>		
At the beginning of the year	2,466	2,248
Depreciation for the year	192	218
At the end of the year	<u>2,658</u>	<u>2,466</u>
<u>Net book value</u>		
At the end of the year	<u>2,284</u>	<u>2,411</u>

Investment property relates to the leasehold property held by a subsidiary under an operating lease to earn rental income. Rental income and direct operating expenses related to the investment property amounted to S\$909,489 (2015: S\$1,506,449) and S\$495,125 (2015: S\$532,197) respectively, for the financial year ended 31 December 2016.

The estimated fair value of the leasehold property amounted to S\$12,000,000 (2015: S\$12,000,000), classified under Level 2 of the fair value hierarchy (as defined in Note 32(b)(i)), as determined on the basis of management's review of similar properties in the market as at 31 December 2016. 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 2016 and 2015 are as follows:

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
<u>2016</u>				
Leasehold property	–	12,000	–	12,000
<u>2015</u>				
Leasehold property	–	12,000	–	12,000

# NOTES TO THE FINANCIAL STATEMENTS

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## 19 Investment in Associate

	Group	
	2016 S\$'000	2015 S\$'000
Unquoted equity shares, at cost	48	–
Share of loss	(48)	–
	–	–

The details of the investment in associate as at 31 December 2016 are as follows:

Name of associate, place of business and incorporation	Principal activities	Effective percentage of equity interest held by the Group		Cost of investment	
		2016	2015	2016	2015
		%	%	S\$'000	S\$'000

*Held by Ultimate Machining Solutions (M)  
Sdn. Bhd.*

Allstar Manufacturing Sdn. Bhd. Malaysia	Engineering, general trading and investment holding	10	–	48	–
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The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group is as follows:

	2016 S\$'000	2015 S\$'000
<b>Assets and liabilities</b>		
Current assets	403	–
Non-current assets	2,435	–
Current liabilities	(2,663)	–
Non-current liabilities	(1,196)	–
Net liabilities	(1,021)	–
Revenue	384	–
Loss for the year	(917)	–
Group's share of result of the associate	(48)	–

The Group has not recognised its share of losses of the associate amounting to S\$35,000 (2015: Nil) because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses. As at 31 December 2016, the cumulative unrecognised losses amounted to S\$35,000 (2015: Nil).



## 20 Loan to Associate

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Loan to associate	<b>828</b>	–	<b>828</b>	–

The loan to the associate is non-trade, interest-bearing at 5% per annum and with a repayment term of 5 years.

The loan to the associate is secured by the following:

- (a) a specific debenture by way of a fixed and floating charge over all present and future equipment/machineries of the Associate;
- (b) a power of attorney in relation to the debenture;
- (c) a subscription option agreement in respect of the shares of the Associate;
- (d) joint and several guarantees given by the other shareholders of the Associate, which include the pledge of the other shareholders' shareholding interests in other business entities; and
- (e) a specific debenture and power of attorney by a related party of the Associate over certain equipment and machineries.

## 21 Goodwill

	Group	
	2016 S\$'000	2015 S\$'000
Goodwill arising on consolidation	<b>80,083</b>	81,683

- (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

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## 21 Goodwill (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	
	2016 S\$'000	2015 S\$'000
Welding-USA	1,586	3,186
Welding-SG	17,795	17,795
Semiconductor	60,702	60,702
At cost	<u>80,083</u>	<u>81,683</u>

### (b) Impairment testing of goodwill

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

	2016	2015
Gross margin	27% - 55%	23% - 60%
Long term growth rate used for terminal value	-	-
Pre-tax discount rates	<u>5.69%</u>	<u>7.14%</u>

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

#### Impairment loss recognised in the CGU of Welding-USA

During the financial year ended 31 December 2016, the Group recorded an impairment loss of S\$1,600,000 (2015: Nil) in relation to goodwill attributable to the CGU of Welding-USA. The recoverable amounts of the CGU 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 main factors contributing to the impairment of the CGU of Welding-USA were due to significant pressure on selling prices and a sharp decrease in demand in the local market. No write-down of the carrying amounts of other assets in the CGU of Welding-USA was necessary.

The impairment loss has been included in the "other (charges)/credits" line item in the consolidated statement of comprehensive income.

## 21 Goodwill (cont'd)

### (c) Sensitivity analysis

#### CGU of Welding-USA

If the management's estimated gross margin used in the value in use calculation for the CGU of Welding-USA at 31 December 2016 is increased/(decreased) by 5%, the goodwill impairment charge of this CGU will (decrease)/increase by S\$181,000.

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the CGU of Welding-USA as at 31 December 2016 is increased/(decreased) by 5%, the goodwill impairment charge of this CGU will increase/(decrease) by S\$331,000.

#### CGU of Welding-SG and Semiconductor

Management considered that any reasonable possible changes in the above key assumptions applied are not likely to materially cause the recoverable amount of the CGU of Welding-SG and Semiconductor to be lower than their respective carrying amounts.

## 22 Bank Borrowings

	Group	
	2016 S\$'000	2015 S\$'000
Short term bank loan – unsecured	<u>249</u>	<u>–</u>

The unsecured bank loan is denominated in Japanese Yen, bears a fixed interest rate of 1.20% per annum and with a maturity of less than 30 days.

## 23 Trade and Other Payables

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Trade payables:				
Third parties	<u>11,048</u>	<u>3,888</u>	<u>–</u>	<u>–</u>
Other payables:				
Subsidiaries	–	–	3,971	5,250
Third parties	751	620	242	264
Accrued operating expenses	4,594	4,735	1,854	2,467
Deposits received	170	517	–	–
	<u>5,515</u>	<u>5,872</u>	<u>6,067</u>	<u>7,981</u>
Trade and other payables	<u>16,563</u>	<u>9,760</u>	<u>6,067</u>	<u>7,981</u>

The average credit period generally taken to settle trade payables is approximately 60 days (2015: 60 days).

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

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## 24 Long-Term Provision

	Group	
	2016 S\$'000	2015 S\$'000
Provision for dismantling and removing the item and restoring the site relating to leasehold and investment properties	433	443
Balance at the beginning of the year	443	453
Less: Unwinding discount of estimated liability	(10)	(10)
Balance at the end of the year	433	443

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

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

## 25 Share Capital

	2016		2015	
	No. of ordinary shares	S\$'000	No. of ordinary shares	S\$'000
<b>Group and Company</b>				
Issued and fully paid:				
At the beginning and the end of the year	429,143,947	136,623	429,143,947	136,623

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

## 26 Reserves

	Group	
	2016 S\$'000	2015 S\$'000
Foreign exchange translation reserve	10,963	9,146

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

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

## 27 Dividends

	Group	
	2016 S\$'000	2015 S\$'000
<u>Declared and paid during the financial year</u>		
Dividends on ordinary shares:		
- Special exempt (one-tier) dividend for 2015: 1 cent (for 2014: 1 cent) per share	4,291	4,291
- Final exempt (one-tier) dividend for 2015: 2 cents (for 2014: 2 cents) per share	8,583	8,583
- Interim exempt (one-tier) dividend for 2016: 3 cents (for 2015: 3 cents) per share	12,875	12,875
	<b>25,749</b>	<b>25,749</b>
<u>Proposed but not recognised as a liability as at 31 December</u>		
Dividends on ordinary shares, subject to shareholders' approval at the Company's Annual General Meeting:		
- Special exempt (one-tier) dividend for 2016: 1 cent (for 2015: 1 cent) per share	4,291	4,291
- Final exempt (one-tier) dividend for 2016: 2 cents (for 2015: 2 cents) per share	8,583	8,583
	<b>12,874</b>	<b>12,874</b>

### Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2015: Nil).

## 28 Related Party Transactions

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 28 Related Party Transactions (cont'd)

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

	<b>Group</b>	
	<b>2016</b>	2015
	<b>S\$'000</b>	S\$'000
<i>Transactions with related parties</i>		
Sale of goods	1,747	–
Rental income	(166)	(9)
Interest income	(18)	–
Progress payment for plant and equipment	<b>34</b>	298

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:

	<b>Group</b>	
	<b>2016</b>	2015
	<b>S\$'000</b>	S\$'000
Salaries, bonuses and related benefits	3,969	3,464
Defined contribution plans	85	80
Fees to directors	186	179
	<b>4,240</b>	3,723
Comprised amounts paid/payable to:		
Directors of the Company*	3,390	2,904
Other key management personnel*	850	819
	<b>4,240</b>	3,723

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

## 29 Capital Commitments

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

	<b>Group</b>	
	<b>2016</b>	2015
	<b>S\$'000</b>	S\$'000
Authorised and contracted but not provided for	<b>954</b>	268

## 30 Operating Lease Commitments

### *Where the Group is a lessor*

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

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

	<b>Group</b>	
	<b>2016</b>	2015
	<b>S\$'000</b>	S\$'000
Within 1 year	–	884
Within 2 to 5 years	–	–
	<b>–</b>	<b>884</b>

### *Where the Group is a lessee*

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

	<b>Group</b>	
	<b>2016</b>	2015
	<b>S\$'000</b>	S\$'000
Within 1 year	<b>711</b>	467
Within 2 to 5 years	<b>1,760</b>	1,459
After 5 years	<b>2,324</b>	2,789
	<b>4,795</b>	4,715

The Company does not have any operating lease commitments as at 31 December 2016 and 2015.

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## 31 Financial Information by Segments

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

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

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets consist principally of receivables and inventories. Segment liabilities include trade payables and accrued liabilities.

Segment information about these businesses is presented below:

### Business Segments

	Semiconductor		Others		Total	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<b>Group</b>						
Total segment sales	144,128	157,657	2,795	964	146,923	158,621
Inter-segment sales	(42,719)	(47,531)	–	–	(42,719)	(47,531)
Sales to external parties	101,409	110,126	2,795	964	104,204	111,090
<b>Segment results</b>	24,027	36,319	710	446	24,737	36,765
Material non-cash items include:						
Depreciation expense	5,324	7,207	110	218	5,434	7,425
Property, plant and equipment written off	20	213	–	–	20	213
Allowance for doubtful debt (non-trade)	–	–	–	308	–	308
Inventories written off	780	242	–	196	780	438
Allowance/(Reversal) of inventories obsolescence – net	3,662	(179)	–	(196)	3,662	(375)
Impairment of goodwill	1,600	–	–	–	1,600	–
<b>Total assets</b>	354,419	350,890	79	101	354,498	350,991
Total assets include:						
Additions to property, plant and equipment	2,625	4,478	–	–	2,625	4,478
Improvement to investment property	65	–	–	–	65	–
<b>Total liabilities</b>	38,190	33,782	–	–	38,190	33,782



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

### Business Segments (cont'd)

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

	Group	
	2016 S\$'000	2015 S\$'000
Total assets for reportable segments	354,498	350,991
Elimination of inter-segment assets	(144,310)	(143,376)
Total assets	<u>210,188</u>	<u>207,615</u>

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

	Group	
	2016 S\$'000	2015 S\$'000
Total liabilities for reportable segments	38,190	33,782
Elimination of inter-segment liabilities	(17,492)	(20,632)
Total liabilities	<u>20,698</u>	<u>13,150</u>

### Geographical Segments

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

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

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

	Singapore		USA		Malaysia		Others		Total	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<b>Group</b>										
Total sales to external parties	<u>67,188</u>	54,603	<u>10,783</u>	26,585	<u>1,959</u>	1,597	<u>24,274</u>	28,305	<u>104,204</u>	111,090
Other geographical information:										
Non-current assets:										
Property, plant and equipment	8,732	7,908	102	111	22,870	26,788	-	-	31,704	34,807
Investment property	2,284	2,411	-	-	-	-	-	-	2,284	2,411
Goodwill	79,159	80,759	-	-	924	924	-	-	80,083	81,683
	<u>90,175</u>	91,078	<u>102</u>	111	<u>23,794</u>	27,712	-	-	<u>114,071</u>	118,901

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

### Geographical Segments (cont'd)

#### *Information about major customers*

Included in revenues arising from semiconductor segments of S\$101.4 million (2015: S\$110.1 million) are revenues of approximately S\$88.2 million (2015: S\$95.7 million) which arose from sales to the Group's largest customer.

## 32 Financial Instruments

### (a) Financial Risk Management Policies and Objectives

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

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

#### (i) Capital risk

When managing capital, the objectives of the Group and Company are: (a) to safeguard the Group's and Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (b) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Group's and Company's overall strategy remains unchanged from 2015.

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

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

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Net (cash)/debt	(25,808)	(29,173)	5,738	7,758
Total equity	189,490	194,465	191,116	188,862
Debt-to-adjusted capital ratio	N.M.	N.M.	0.030	0.041

N.M.: Not meaningful

The Group and Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

## 32 Financial Instruments (cont'd)

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

#### (ii) Credit risk

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

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

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

The table below is an analysis of trade and other receivables (including loan to an associate) as at the balance sheet date:

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Not past due and not impaired	15,497	9,588	4,432	4,212
Past due but not impaired <sup>1</sup>				
• Less than 30 days	3,275	535	–	–
• More than 30 days	1,344	1,928	–	–
	4,619	2,463	–	–
	20,116	12,051	4,432	4,212
Impaired receivables - individually assessed	308	308	308	308
Less: Allowance for impairment losses <sup>1</sup>	(308)	(308)	(308)	(308)
	–	–	–	–
Trade and other receivables, net	20,116	12,051	4,432	4,212

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

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## 32 Financial Instruments (cont'd)

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

#### (iii) Interest rate risk

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

The Group is not exposed to any significant interest-bearing financial liabilities as at year end.

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

	Interest bearing S\$'000	Non-Interest bearing S\$'000	Total S\$'000
<b>Group</b>			
2016			
<u>Financial assets</u>			
Loan to associate	828	–	828
Trade receivables and other current assets (excluding prepayments)	–	19,288	19,288
Cash and bank balances	41,614	1,006	42,620
	<u>42,442</u>	<u>20,294</u>	<u>62,736</u>
<u>Financial liabilities</u>			
Bank borrowings	249	–	249
Trade and other payables	–	16,563	16,563
	<u>249</u>	<u>16,563</u>	<u>16,812</u>
2015			
<u>Financial assets</u>			
Trade receivables and other current assets (excluding prepayments)	–	12,051	12,051
Cash and bank balances	32,549	6,384	38,933
	<u>32,549</u>	<u>18,435</u>	<u>50,984</u>
<u>Financial liabilities</u>			
Trade and other payables	–	9,760	9,760

## 32 Financial Instruments (cont'd)

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

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

	Interest bearing S\$'000	Non-Interest bearing S\$'000	Total S\$'000
<b>Company</b>			
2016			
<u>Financial assets</u>			
Loan to associate	828	–	828
Trade receivables and other current assets (excluding prepayments)	–	3,604	3,604
Cash and bank balances	320	9	329
	<u>1,148</u>	<u>3,613</u>	<u>4,761</u>
<u>Financial liabilities</u>			
Trade and other payables	–	6,067	6,067
2015			
<u>Financial assets</u>			
Trade receivables and other current assets (excluding prepayments)	–	4,212	4,212
Cash and bank balances	210	13	223
	<u>210</u>	<u>4,225</u>	<u>4,435</u>
<u>Financial liabilities</u>			
Trade and other payables	–	7,981	7,981

A 3% (2015: 3%) increase/(decrease) in the interest rates as at the balance sheet date, with all variables including tax rate being held constant, would result in a corresponding increase/(decrease) in profit after tax as follows:

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Profit after tax	<u>4</u>	<u>3</u>	<u>*–</u>	<u>*–</u>

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

## 32 Financial Instruments (cont'd)

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

#### (iv) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

	Carrying amount S\$'000	Contractual cash flows S\$'000	Within 1 year S\$'000	Within 2 to 5 years S\$'000
<b>Group</b>				
<u>2016</u>				
Bank borrowings	249	249	249	–
Trade and other payables	16,563	16,563	16,563	–
	<b>16,812</b>	<b>16,812</b>	<b>16,812</b>	<b>–</b>
<u>2015</u>				
Trade and other payables	9,760	9,760	9,760	–
<b>Company</b>				
<u>2016</u>				
Trade and other payables	6,067	6,067	6,067	–
<u>2015</u>				
Trade and other payables	7,981	7,981	7,981	–

#### (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.

## 32 Financial Instruments (cont'd)

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

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

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

	Singapore Dollar S\$'000	Japanese Yen S\$'000	Euro S\$'000	Malaysian Ringgit S\$'000	United States Dollar S\$'000	Total S\$'000
<b>Group</b>						
2016						
<u>Financial assets</u>						
Cash and bank balances	12,465	4	–	5,572	24,579	42,620
Loan to associate	–	–	–	–	828	828
Trade receivables and other current assets (excluding prepayments)	3,093	–	–	496	15,699	19,288
	<b>15,558</b>	<b>4</b>	<b>–</b>	<b>6,068</b>	<b>41,106</b>	<b>62,736</b>
<u>Financial liabilities</u>						
Bank borrowings	–	(249)	–	–	–	(249)
Trade and other payables	(8,405)	–	(202)	(1,767)	(6,189)	(16,563)
	<b>(8,405)</b>	<b>(249)</b>	<b>(202)</b>	<b>(1,767)</b>	<b>(6,189)</b>	<b>(16,812)</b>
<b>Net financial assets/(liabilities)</b>	<b>7,153</b>	<b>(245)</b>	<b>(202)</b>	<b>4,301</b>	<b>34,917</b>	<b>45,924</b>
Less: Net financial assets denominated in the respective entities' functional currencies	(7,172)	–	–	(4,301)	(1,858)	(13,331)
<b>Currency exposure</b>	<b>(19)</b>	<b>(245)</b>	<b>(202)</b>	<b>–</b>	<b>33,059</b>	<b>32,593</b>
2015						
<u>Financial assets</u>						
Cash and bank balances	4,701	30	–	3,353	30,849	38,933
Trade receivables and other current assets (excluding prepayments)	2,231	–	–	792	9,028	12,051
	<b>6,932</b>	<b>30</b>	<b>–</b>	<b>4,145</b>	<b>39,877</b>	<b>50,984</b>
<u>Financial liabilities</u>						
Trade and other payables	(5,950)	(50)	–	(1,169)	(2,591)	(9,760)
<b>Net financial assets/(liabilities)</b>	<b>982</b>	<b>(20)</b>	<b>–</b>	<b>2,976</b>	<b>37,286</b>	<b>41,224</b>
Less: Net financial assets denominated in the respective entities' functional currencies	(1,003)	–	–	(2,976)	(2,447)	(6,426)
<b>Currency exposure</b>	<b>(21)</b>	<b>(20)</b>	<b>–</b>	<b>–</b>	<b>34,839</b>	<b>34,798</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

## 32 Financial Instruments (cont'd)

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

(v) Foreign currency risk (cont'd)

	Singapore Dollar S\$'000	United States Dollar S\$'000	Total S\$'000
<b>Company</b>			
2016			
<u>Financial assets</u>			
Cash and bank balances	285	44	329
Loan to associate	–	828	828
Trade receivables and other current assets (excluding prepayments)	3,365	239	3,604
<u>Financial liabilities</u>			
Trade and other payables	(6,067)	–	(6,067)
Net financial (liabilities)/assets	(2,417)	1,111	(1,306)
Less: Net financial liabilities denominated in the Company's functional currency	2,417	–	2,417
Currency exposure	–	1,111	1,111
2015			
<u>Financial assets</u>			
Cash and bank balances	190	33	223
Trade receivables and other current assets (excluding prepayments)	4,212	–	4,212
<u>Financial liabilities</u>			
Trade and other payables	(7,981)	–	(7,981)
Net financial (liabilities)/assets	(3,579)	33	(3,546)
Less: Net financial liabilities denominated in the Company's functional currency	3,579	–	3,579
Currency exposure	–	33	33



## 32 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% (2015: 10%) against S\$ as at the balance sheet date, with all other variables including tax rate being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	<b>Group Increase/(Decrease) profit after tax S\$'000</b>	<b>Company Increase/(Decrease) profit after tax S\$'000</b>
<u>2016</u>		
United States dollar	<u>2,744</u>	<u>92</u>
<u>2015</u>		
United States dollar	<u>2,892</u>	<u>3</u>

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

### (b) Financial Instruments

#### (i) Fair value of financial instruments

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

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

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The carrying amount of loan to associate approximates its fair value as it is subject to interest rate close to market rate of interests for similar arrangement with financial institutions.

## 33 Subsequent Event

On 24 February 2017, the Group entered into a conditional subscription agreement (the “Agreement”) with Kalf Engineering Pte Ltd (“Kalf”), a water and chemical engineering solutions company. Under the Agreement, the Group will subscribe for 51% of the enlarged share capital of Kalf (the “Acquisition”) for a total consideration of S\$990,000 in cash.

The accounting for this Acquisition is incomplete at the time these financial statements have been authorised for issue.

## 1. Interested Person Transactions

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)		Aggregate value of all interested person transactions conducted during the financial period under review shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Kalf Engineering Pte Ltd<sup>1</sup></b>				
Factory rental	-	(9)	-	-
Fabrication of water disinfection system	1,747	-		
Payment for water system upgrade	34	298		

### Note:

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

On 24 Feb 2017, the Group entered into a Conditional Subscription agreement with Kalf to subscribe for 51% equity of Kalf's enlarged Shareholdings via issuance of new shares for a total consideration of S\$990,000.

## 2. Properties

As required by Rule 1207 (10) of the SGX-ST Listing Manual, the description of properties held by the group are as follows:

Location	Description	Tenure	Net Book Value	
			2016	2015
			S\$'000	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	5,157	5,283
25 Changi North Crescent Changi North Industrial Estate Singapore 499617	Leased	30 years lease commencing 1 February 2003 and ending 31 January 2033	2,284	2,411
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	16,472	17,146

# STATISTICS OF SHAREHOLDINGS

As at 23 March 2017

Number of shares	:	429,143,947
Class of Equity Shares	:	Ordinary Shares
Number of Issued Shares	:	429,143,947
Voting Rights	:	One vote for each share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	40	0.79	1,671	0.00
100 - 1,000	141	2.79	92,165	0.02
1,001 - 10,000	1,782	35.23	11,939,992	2.78
10,001 - 1,000,000	3,069	60.66	168,985,009	39.38
1,000,001 AND ABOVE	27	0.53	248,125,110	57.82
<b>TOTAL</b>	<b>5,059</b>	<b>100.00</b>	<b>429,143,947</b>	<b>100.00</b>

Based on the information provided to the Company as at 23 March 2017, approximately 79.93% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual is complied with.

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1	UOB KAY HIAN PRIVATE LIMITED	88,462,050	20.61
2	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	27,132,750	6.32
3	DBS NOMINEES (PRIVATE) LIMITED	27,077,461	6.31
4	CITIBANK NOMINEES SINGAPORE PTE LTD	21,013,794	4.90
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	16,807,650	3.92
6	HSBC (SINGAPORE) NOMINEES PTE LTD	11,325,000	2.64
7	RAFFLES NOMINEES (PTE) LIMITED	9,794,125	2.28
8	PHILLIP SECURITIES PTE LTD	6,065,850	1.41
9	DBSN SERVICES PTE. LTD.	4,023,650	0.94
10	NOMURA SINGAPORE LIMITED	3,898,750	0.91
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,802,300	0.89
12	MAYBANK KIM ENG SECURITIES PTE LTD	3,254,726	0.76
13	TAN BOON KHAK HOLDINGS PTE LTD	2,672,000	0.62
14	CIMB SECURITIES (SINGAPORE) PTE LTD	2,369,601	0.55
15	OCBC SECURITIES PRIVATE LIMITED	2,354,600	0.55
16	DB NOMINEES (SINGAPORE) PTE LTD	2,271,785	0.53
17	TAN ENG YAM @TAN ENG ANN	2,154,550	0.50
18	TAN POH GHEE	1,940,250	0.45
19	YIM WING CHEONG	1,775,400	0.41
20	LEE CHOON SIANG	1,517,750	0.35
	<b>TOTAL</b>	<b>239,714,042</b>	<b>55.85</b>

**SUBSTANTIAL SHAREHOLDERS (As at 23 March 2017)**  
(As recorded in the Register of Substantial Shareholders)

<b>Name of substantial shareholder</b>	<b>Number of shares registered in the name of substantial shareholder</b>	<b>Number of shares in which substantial shareholder is deemed to have an interest</b>	<b>Total</b>	<b>Percentage (%)</b>
Luong Andy	–	85,859,000	85,859,000	20.01

**Notes:**

- (1) Based on the total issued and paid-up ordinary share capital of the Company comprising 429,143,947 Shares.
- (2) Luong Andy is deemed to be interested in 85,859,000 shares registered in the name of UOB Kay Hian Private Limited.

## FURTHER INFORMATION ON DIRECTORS

Name of Director	Date of Initial Appointment in UMS Holdings Limited	Date of Last Re-election in UMS Holdings Limited	Present and Past Directorship in other Listed Companies	Other Major Appointments
Luong Andy	1 April 2004	–	–	–
Oh Kean Shen	20 September 2007	30 April 2015	–	Managing Director of:- a) Limbongan Batu Maung Sdn Bhd b) Pen-Marine Sdn Bhd
Loh Meng Chong, Stanley	30 June 2010	29 April 2014	–	–
Chay Yiowmin	28 June 2013	29 April 2014	8I Holdings Limited Advance SCT Limited (resigned on 31 May 2015)	Partner of BDO LLP
Gn Jong Yuh, Gwendolyn	5 May 2016	–	–	Partner of Shook Lin & Bok LLP

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of UMS Holdings Limited (“the Company”) will be held at Empress Ballroom 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Friday, 28 April 2017 at 10.00 a.m. to transact the following businesses:

## ORDINARY BUSINESS:

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2016 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 2016. **Resolution 2**
3. To approve the payment of a special tax-exempt (one-tier) dividend of 1.0 cent per ordinary share in respect of the financial year ended 31 December 2016. **Resolution 3**
4. To re-elect Mr Loh Meng Chong, Stanley, who is retiring by rotation in accordance with Regulation 104 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, be considered non-independent for the purpose of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited.] **Resolution 4**
5. To re-elect Ms Gn Jong Yuh Gwendolyn, who is retiring in accordance with Regulation 114 of the Company’s Constitution, as Director of the Company.  
  
[Ms Gn Jong Yuh Gwendolyn will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee, a member of the Audit Committee and the Nominating Committee and will be considered independent for the purpose of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited.] **Resolution 5**
6. To approve the payment of Directors’ fees of up to S\$190,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears. (FY2016: S\$197,932) **Resolution 6**
7. To re-appoint Messrs Moore Stephens LLP as Independent Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**
8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## SPECIAL BUSINESS:

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

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

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

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

# NOTICE OF ANNUAL GENERAL MEETING

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

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

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:-
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST from the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the 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.”

**[Explanatory Note]**

**Resolution 8**

## **Explanatory Note:**

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



# NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF BOOK CLOSURE DATE FOR THE PROPOSED FINAL DIVIDEND AND SPECIAL DIVIDEND

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2017, for the purpose of determining members' entitlements to the Final Dividend of 2.0 cents per ordinary share and Special Dividend of 1.0 cent per ordinary share (tax-exempt one-tier) for the financial year ended 31 December 2016.

Duly completed registrable transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 up to the close of business at 5.00 p.m. on 8 May 2017 will be registered before entitlement to the Proposed Final Dividend and Special Dividend are determined. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 8 May 2017 will be entitled to the Proposed Final Dividend and Special Dividend.

The Proposed Final and Special Dividend, if approved at the forthcoming Annual General Meeting of the Company, will be paid on 30 May 2017.

## BY ORDER OF THE BOARD

Elizabeth Krishnan  
Company Secretary  
Singapore  
6 April 2017

### Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.
2. Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy in the instrument appointing the proxies.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:
  - (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity.
  - (b) A person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
  - (c) The Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 23 Changi North Crescent, Singapore 499616 not less than 48 hours before the time set for the Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## **PERSONAL DATA PRIVACY:**

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

**IMPORTANT:**

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

**UMS HOLDINGS LIMITED**

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

**PROXY FORM**  
**ANNUAL GENERAL MEETING**

I/We, \_\_\_\_\_ NRIC/Passport/Co. Reg. No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a member/members of UMS Holdings Limited (the "Company"), hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Empress Ballroom 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Friday, 28 April 2017 at 10.00 a.m. and at any adjournment thereof.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*
<b>Ordinary Business</b>			
1	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 and the Auditors' Report thereon		
2	To approve a final tax-exempt (one-tier) dividend		
3	To approve a special tax-exempt (one-tier) dividend		
4	To re-elect Mr Loh Meng Chong, Stanley as Director		
5	To re-elect Ms Gn Jong Yuh Gwendolyn as Director		
6	To approve directors' fees for the year ending 31 December 2017		
7	To re-appoint Auditors and authorise the directors to fix their remuneration		
<b>Special Business</b>			
8	To authorise the directors to allot and issue shares		

\*If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

**Total number of Shares held**

--

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

\_\_\_\_\_  
Signature(s) / Common Seal of Member



**Notes :**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary\*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary\*) 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 (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 23 Changi North Crescent, Singapore 499616 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2017.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.





**UMS Holdings Limited**

Company Registration No : 200100340R

23, Changi North Crescent,  
Changi North Industrial Estate  
Singapore 499616

Tel: 6543 2272  
Fax: 6542 9979

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