

UMS HOLDINGS LIMITED
(Company Registration No. 200100340R)
(Incorporated in the Republic of Singapore)

PROPOSED SUBSCRIPTION FOR A 51.0% INTEREST IN KALF ENGINEERING PTE. LTD.

1. INTRODUCTION

The board of directors (“**Board**”) of UMS Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that it has on 24 February 2017, entered into a conditional subscription agreement with Kalf Engineering Pte. Ltd. (“**Kalf**”) pursuant to which the Company has agreed to subscribe for 1,067,733 new shares in the capital of Kalf, representing 51.0% (“**Acquired Interest**”) of the total enlarged issued and paid up share capital of Kalf for a cash consideration of S\$990,000(US\$702,128¹) (“**Consideration**”) (“**Proposed Subscription**”).

Upon the completion of the Proposed Subscription, the Company will hold 51.0% of the shareholding interest in Kalf, resulting in Kalf becoming a subsidiary of the Group.

2. INFORMATION RELATING TO THE PROPOSED SUBSCRIPTION

2.1 Rationale for the Proposed Subscription

The Proposed Subscription is part of the Group’s strategy to diversify beyond its traditional semiconductor business segment in order to achieve an alternative revenue source as well as to allow the Group to venture into a high potential growth sector.

The Group’s semiconductor business is driven by semiconductor chipmakers’ capital spending and global economic conditions whereas the demand for Kalf’s electro-chlorination systems depends more on the infrastructure and industrial development of the countries in which it conducts business. The regions that Kalf conducts business include 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 Proposed Subscription provides an opportunity for the Group to diversify its business operations into a specialised industry that is not dependent on semiconductor chipmakers’ capital spending as well as provides the Company with increased technical skills in a new industry.

2.2 Information on Kalf

Kalf is a company incorporated in Singapore in 2008 with its principal activities being that of manufacturing water and chemical engineering solutions for oil and gas, power generation and

¹ Based on the exchange rate of US\$1 to S\$1.41.

chemical industries. Kalf has been awarded the ISO 9001, ISO 14001 and OHSAS 18001 certifications.

Their main products are elysisPURE electro-chlorination generators which are designed for the electrolysis of seawater or brine into sodium hypochlorite solution, which is a disinfection solution for water treatment systems in power generation plants and oil & gas or offshore platforms. elysisPURE is designed and manufactured exclusively by Kalf.

3. CONSIDERATION FOR THE PROPOSED SUBSCRIPTION

The Consideration was arrived at on a willing buyer, willing seller basis after taking into account various factors such as the financial position and business prospects of Kalf. The consideration will be wholly satisfied in cash and will be funded from the Company's internal resources.

In connection with the Proposed Subscription, the Company had commissioned an independent valuer, Duff & Phelps Singapore Pte. Ltd., to undertake a valuation of the entire issued share capital of Kalf to assess the business enterprise value and equity value as at the valuation date, being 31 March 2016 and produce their findings in a valuation report dated 13 February 2017 ("**Valuation Report**"). Based on the Valuation Report, the range of fair values of the entire issued share capital of Kalf is estimated to be between US\$570,000 to US\$1.1 million with a base value of US\$832,000.

Based on the unaudited management accounts of Kalf for the period ended 31 March 2016, the net asset value of Kalf is US\$(1,975,000) (approximately S\$(2,784,750)²).

4. INTERESTED PERSON TRANSACTION

The Proposed Subscription is deemed to be an Interested Person Transaction (as defined in Chapter 9 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) as the shareholders of Kalf include Mr Andy Luong, the Chief Executive Officer of the Group and Mr Stanley Loh, the Executive Director and Group Financial Controller of the Group.

In accordance with Chapter 9 of the Listing Manual, shareholders' approval must be obtained for any Interested Person Transaction of a value which is equal to or greater than 5.0% of the Group's latest audited net tangible assets ("**NTA**") or when aggregated with other Interested Person Transactions during the same financial period, the value is equal to or more than 5.0% of the Group's latest audited NTA.

Based on the Company's latest audited consolidated accounts for the financial year ("**FY**") ended 31 December 2015, the Group's audited NTA amount to approximately S\$112.8 million. The value of the Proposed Subscription amounts to S\$990,000 (US\$702,128) which represents approximately 0.9% of the Group's latest audited NTA. Pursuant to the Listing Manual, the Proposed Subscription is not subjected to the approval of the Company's independent shareholders. Nonetheless, the Company had sought the appointment of RHT Capital Pte. Ltd. as

² Based on the exchange rate of US\$1 to S\$1.41.

the independent financial adviser (“**IFA**”) to advise the directors who are deemed to be independent with respect to the Proposed Subscription (“**Independent Directors**”), on a private and confidential basis, as to whether the Proposed Subscription is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Taking into consideration the factors set out in its letter to the Independent Directors dated 15 February 2017 (“**IFA Letter**”), the IFA is of the opinion that the Proposed Subscription is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for Mr Andy Luong and Mr Stanley Loh, who will abstain from making any recommendation on the Proposed Subscription as directors of the Company, none of the directors nor controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Subscription, save for their respective interests, through their shareholdings and/or directorships, as the case may be, in the Company.

BY ORDER OF THE BOARD

Luong Andy
Chief Executive Officer

24 February 2017