

UMS HOLDINGS LIMITED
COMPANY REGISTRATION NO: 200100340R
Second Quarter Financial Statement And Dividend Announcement

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3) HALF YEAR AND FULL YEAR ANNOUNCEMENTS

- 1 (a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2014

	Group					
	2Q			6 Months Ended		
	30-Jun-14 S\$'000	30-Jun-13 S\$'000	Change %	30-Jun-14 S\$'000	30-Jun-13 S\$'000	Change %
Revenue	28,689	32,821	-13%	62,998	60,666	4%
Net finance income/ (expense) (Note (a))	11	(1)	N.M	25	(42)	N.M
Changes in inventories	(3,245)	322	N.M	(3,423)	601	N.M
Raw material purchases and subcontractor charges	(9,070)	(16,765)	-46%	(25,131)	(31,381)	-20%
Employee benefits expense	(2,881)	(3,181)	-9%	(6,194)	(6,183)	0%
Depreciation expense	(2,017)	(1,973)	2%	(3,834)	(4,064)	-6%
Other expenses (Note (b))	(2,909)	(3,179)	-8%	(6,283)	(5,957)	5%
Other (charges)/ credits (Note (c))	(324)	653	N.M	(290)	822	N.M
Profit before income tax	8,254	8,697	-5%	17,868	14,462	24%
Income tax expense (Note (d))	(1,025)	(860)	19%	(2,081)	(1,369)	52%
Net profit for the period from continuing operations	7,229	7,837	-8%	15,787	13,093	21%
Attributable to:						
Equity holders of the Company	7,229	7,837	-8%	15,787	13,093	21%
Minority interests	-	-	N.M	-	-	N.M
	7,229	7,837	-8%	15,787	13,093	21%

N.M - Not meaningful

NOTES TO INCOME STATEMENT

Note (a) Net finance income/ (expenses)

	Group					
	2Q			6 Months Ended		
	30-Jun-14	30-Jun-13	Change	30-Jun-14	30-Jun-13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	18	12	50%	32	24	33%
Interest expense	(7)	(13)	-46%	(7)	(66)	-89%
Net finance income/ (expenses)	11	(1)	N.M	25	(42)	N.M

Note (b) Other expenses

	Group					
	2Q			6 Months Ended		
	30-Jun-14	30-Jun-13	Change	30-Jun-14	30-Jun-13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Legal and professional fees (Note (i))	(302)	(362)	-17%	(630)	(511)	23%
Rental expense (includes leasing of land)	(388)	(396)	-2%	(790)	(806)	-2%
Utilities	(921)	(1,004)	-8%	(1,922)	(2,020)	-5%
Freight charges	(144)	(232)	-38%	(328)	(407)	-19%
Insurance	(123)	(106)	16%	(234)	(193)	21%
Upkeep of properties and equipment (Note (ii))	(56)	(46)	22%	(126)	(82)	54%
Upkeep of machinery (Note (ii))	(564)	(604)	-7%	(1,342)	(933)	44%
Others	(411)	(429)	-4%	(911)	(1,005)	-9%
	(2,909)	(3,179)	-8%	(6,283)	(5,957)	5%

Note 1 (a)(b)(i) – Included in legal and professional fees is an amount payable to Sure Achieve Enterprises Pte Ltd. Refer to note 13.

Note 1 (a)(b)(ii) – The increase was mainly due to higher maintenance of machinery and equipment carried out during the period.

Note (c) Other credits

	Group					
	2Q			6 Months Ended		
	30-Jun-14 S\$'000	30-Jun-13 S\$'000	Change %	30-Jun-14 S\$'000	30-Jun-13 S\$'000	Change %
Foreign exchange (losses)/ gains (Note (i))	(350)	745	N.M	(495)	1,275	N.M
Write back of bad debts	-	3	-100%	-	12	-100%
Gain on disposal of property, plant and equipment	-	36	-100%	39	36	8%
Write back of allowance for inventories obsolescence	12	-	N.M	105	-	N.M
Allowance for inventories obsolescence	-	(137)	-100%	-	(537)	-100%
Others	14	6	133%	61	36	69%
	(324)	653	N.M	(290)	822	N.M

Note 1(a)(c)(i) - The exchange loss was due to the depreciation of the US dollar during the period.

Note (d) Income tax

	Group					
	2Q			6 Months Ended		
	30-Jun-14 S\$'000	30-Jun-13 S\$'000	Change %	30-Jun-14 S\$'000	30-Jun-13 S\$'000	Change %
Income tax:						
- Current	(1,025)	(860)	19%	(2,081)	(1,369)	52%
- Deferred tax	-	-	N.M	-	-	N.M
	(1,025)	(860)	19%	(2,081)	(1,369)	52%

Note 1(a)(d) - The increase in current income tax was mainly due to comparatively lower tax provision made last year.

1(b)(i) A statement of financial position (for the issuer and the group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current Assets				
Cash and bank balances (Note (ii))	36,113	29,236	911	621
Trade receivables and other current assets (Note (iii))	17,497	21,383	724	5,843
Inventories (Note (iv))	34,151	37,193	-	-
Total Current Assets	87,761	87,812	1,635	6,464
Non-Current Assets				
Investment in subsidiaries (Note (i))	-	-	192,415	192,415
Property, plant and equipment	44,135	43,419	-	-
Investment property	2,738	2,848	-	-
Goodwill	81,683	81,683	-	-
Total Non-Current Assets	128,556	127,950	192,415	192,415
Total Assets	216,317	215,762	194,050	198,879
LIABILITIES AND EQUITY				
Current Liabilities				
Bank borrowings (Note 1(b)(ii))	5,000	-	-	-
Trade and other payables (Note (iv))	11,590	18,906	9,584	3,206
Income tax payable	2,536	3,617	25	55
Total Current Liabilities	19,126	22,523	9,609	3,261
Non Current Liabilities				
Deferred tax liabilities	1,644	1,644	12	12
Long-term provision *	464	464	-	-
Total Non-Current Liabilities	2,108	2,108	12	12
Total Liabilities	21,234	24,631	9,621	3,273
Capital and Reserves				
Share Capital	136,623	136,623	136,623	136,623
Reserves	(3,711)	(3,907)	-	-
Retained earnings	62,171	58,415	47,806	58,983
Total Equity	195,083	191,131	184,429	195,606
Total Liabilities and Equity	216,317	215,762	194,050	198,879

* Provision for reinstatement of leased premises.

Note 1 (b)(i)(i) Investment in Subsidiaries

The details of the subsidiaries as at 30 June 2014 are as follows:

Name	Effective percentage of equity held by the group		Company's cost of investment	
	30-Jun-2014	31-Dec-2013	30-Jun-2014	31-Dec-2013
	%	%	S\$'000	S\$'000
<u>Held by the Company</u>				
UMS Systems Pte Ltd (Singapore)	100	100	9,561	9,561
UMS International Pte Ltd (Singapore)	100	100	800	800
UMS Pte Ltd (Singapore)	100	100	127,081	127,081
UMS Aerospace Pte Ltd (Singapore)	100	100	20,000	20,000
Integrated Manufacturing Technologies Pte Ltd (Singapore)	100	100	19,803	19,803
Integrated Manufacturing Technologies Inc. (United States)	100	100	8,196	8,196
Ultimate Machining Solutions (M) Sdn. Bhd. (Malaysia)	100	100	30,772	30,772
			<hr/>	
Unquoted equity shares, at cost			216,213	216,213
Less: Provision for impairment			(23,798)	(23,798)
			<hr/>	
			192,415	192,415
<hr/>				
<u>Held through UMS International Pte Ltd</u>				
Ultimate Manufacturing Solutions (M) Sdn. Bhd (Malaysia)	100	100		
<u>Held through UMS Pte Ltd</u>				
UMS Solutions Pte Ltd (Singapore)	100	100		

Note 1(b)(i)(ii) – The net increase in cash and cash equivalents (less bank borrowing) by S\$1.9 million was mainly due to net cash generated from operation activities during the period.

Note 1(b)(i)(iii) – Trade receivables and other current assets decreased by S\$3.9 million mainly due to lower sales during the period partially offset by increase in other receivables resulting from advance payments for equipment purchase.

Note 1(b)(i)(iv) – The decrease in inventories and trade and other payables by S\$3.0 million and S\$7.3 million respectively were mainly due to lower purchases made during the period.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 Jun 2014			As at 31 Dec 2013		
Secured	Unsecured	Total	Secured	Unsecured	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
5,000	-	5,000	-	-	-

Details of any collateral

The Group's borrowing consist of short-term bank borrowing. The short-term bank borrowing is secured by corporate guarantee.

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			
	2Q		6 Months Ended	
	30-Jun-14 S\$'000	30-Jun-13 S\$'000	30-Jun-14 S\$'000	30-Jun-13 S\$'000
Cash flows from operating activities				
Profit before income tax	8,254	8,697	17,868	14,462
Adjustments for:				
Depreciation expense	2,017	1,973	3,834	4,064
Write back of bad debts	-	(3)	-	(12)
Allowance for inventories obsolescence	-	137	-	537
Write back of allowance for inventories obsolescence	(12)	-	(105)	-
Gain on disposal of property, plant and equipment	-	(36)	(39)	(36)
Interest income	(18)	(12)	(32)	(24)
Interest expense	7	13	7	66
Unrealised foreign exchange loss/ (gain)	338	(589)	660	(1,010)
Operating cash flows before working capital changes	10,586	10,180	22,193	18,047
Changes in working capital:				
Trade receivables and other current assets	30	(579)	2,597	(4,485)
Inventories	1,485	(484)	3,162	(1,173)
Trade and other payables	(4,768)	(594)	(7,257)	2,835
Cash generated from operations	7,333	8,523	20,695	15,224
Income tax paid	(1,917)	(1,052)	(2,269)	(1,100)
Net cash generated from operating activities	5,416	7,471	18,426	14,124
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	-	36	39	36
Purchase of property, plant and equipment	(1,542)	(151)	(4,209)	(447)
Proceeds on sale of financial assets, available-for-sale	-	-	-	4,276
Interest received	18	12	32	24
Net cash (used in) /generated from investing activities	(1,524)	(103)	(4,138)	3,889
Cash flows from financing activities				
Proceeds from bank borrowings	5,000	8,000	5,000	8,000
Repayment of bank borrowings	-	(10,000)	-	(25,100)
Dividends paid	(12,031)	(6,875)	(12,031)	(6,875)
Repayment of finance leases obligation	-	(35)	-	(138)
Increase in fixed deposit - restricted	(2)	(2)	(4)	(4)
Interest paid	(7)	(13)	(7)	(66)
Net cash used in financing activities	(7,040)	(8,925)	(7,042)	(24,183)
Net effect of exchange rate changes	(254)	511	(375)	1,038
Net (decrease) / increase in cash and cash equivalents	(3,402)	(1,046)	6,871	(5,132)
Cash and cash equivalents at beginning of the period	39,263	28,190	28,990	32,276
Cash and cash equivalents at end of the period	35,861	27,144	35,861	27,144
Fixed deposit - restricted in use			252	262
Cash and cash equivalents in the Balance Sheet			36,113	27,406

- 1(d) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group					
	2Q			6 Months Ended		
	30-Jun-14	30-Jun-13	Change	30-Jun-14	30-Jun-13	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Net Profit for the period	7,229	7,837	-8%	15,787	13,093	21%
Other comprehensive income, net of income tax:						
<i>Items that may be classified subsequently to profit and loss:</i>						
Exchange differences on translation of foreign operations	147	185	-21%	196	433	-55%
Total comprehensive income for the period	7,376	8,022	-8%	15,983	13,526	18%
Attributable to:						
Equity holders of the Company	7,376	8,022	-8%	15,983	13,526	18%
Minority interests	-	-	N.M	-	-	N.M

1(e)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distribution to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year.

	Share Capital S\$'000	Foreign Exchange Translation Reserve S\$'000	Retained Earnings S\$'000	Total equity attributable to equity of holders of the Company S\$'000
Group				
Balance at 1 January 2013	136,623	(2,833)	46,723	180,513
Changes in equity for first quarter				
Net profit for the period	-	-	5,256	5,256
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	248	-	248
Total comprehensive income for the quarter	-	248	5,256	5,504
Balance at 31 March 2013	<u>136,623</u>	<u>(2,585)</u>	<u>51,979</u>	<u>186,017</u>
Changes in equity for second quarter				
Net profit for the period	-	-	7,837	7,837
Other comprehensive income for the period	-	185	-	185
Total comprehensive income for the quarter	-	185	7,837	8,022
Dividend paid	-	-	(6,875)	(6,875)
As at 30 June 2013	<u>136,623</u>	<u>(2,400)</u>	<u>52,941</u>	<u>187,164</u>

Group	Share Capital S\$'000	Foreign Exchange Translation Reserve S\$'000	Retained Earnings S\$'000	Total equity attributable to equity of holders of the Company S\$'000
Balance at 1 January 2014	136,623	(3,907)	58,415	191,131
Changes in equity for first quarter				
Net profit for the period	-	-	8,558	8,558
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	49	-	49
Total comprehensive income for the quarter	-	49	8,558	8,607
Balance at 31 March 2014	<u>136,623</u>	<u>(3,858)</u>	<u>66,973</u>	<u>199,738</u>
Changes in equity for second quarter				
Net profit for the period	-	-	7,229	7,229
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	147	-	147
Total comprehensive income for the quarter	-	147	7,229	7,376
Dividend paid	-	-	(12,031)	(12,031)
As at 30 June 2014	<u>136,623</u>	<u>(3,711)</u>	<u>62,171</u>	<u>195,083</u>

Company	Share Capital S\$'000	Capital Reserve S\$'000	Retained Earnings S\$'000	Total equity attributable to equity of holders of the Company S\$'000
Balance at 1 January 2013	136,623	85	53,596	190,304
Changes in equity for first quarter				
Net loss for the period	-	-	(337)	(337)
Total comprehensive expenses for the quarter	-	-	(337)	(337)
Balance at 31 March 2013	<u>136,623</u>	<u>85</u>	<u>53,259</u>	<u>189,967</u>
Changes in equity for second quarter				
Net profit for the period	-	-	5,012	5,012
Total comprehensive income for the quarter	-	-	5,012	5,012
Dividend paid	-	-	(6,875)	(6,875)
As at 30 June 2013	<u>136,623</u>	<u>85</u>	<u>51,396</u>	<u>188,104</u>

Company	Share Capital S\$'000	Capital Reserve S\$'000	Retained Earnings S\$'000	Total equity attributable to equity of holders of the Company S\$'000
Balance at 1 January 2014	136,623	-	58,983	195,606
Changes in equity for first quarter				
Net loss for the period	-	-	(705)	(705)
Total comprehensive expenses for the quarter	-	-	(705)	(705)
Balance at 31 March 2014	136,623	-	58,278	194,901
Changes in equity for second quarter				
Net profit for the period	-	-	1,559	1,559
Total comprehensive income for the quarter	-	-	1,559	1,559
Dividend paid	-	-	(12,031)	(12,031)
As at 30 June 2014	136,623	-	47,806	184,429

- 1(e) (ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purposes since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all outstanding convertibles, as well as the number of shares held as treasury shares of the issuer, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The movement of the Company's issued share capital during the financial period ended 30 June 2014 is as follows:

<u>Issued and fully paid share capital</u>	Group and Company Number of Ordinary Shares	S\$'000
Balance at 1 Jan 2014	343,754,327	136,623
Issue of bonus share	85,389,620	-
Balance at 30 Jun 2014	429,143,947	136,623

On 16 June 2014, there were bonus shares issued on the basis of one (1) Bonus Share for every four (4) existing ordinary shares in the capital of the Company held by the shareholders of the Company. The number of bonus share issued was 85,389,620.

As at 30 Jun 2014, the Company does not hold any treasury shares.

- 1(e)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 June 2014 was 429,143,947 (31 December 2013: 343,754,327).

- 1(e)(iv) **A statement showing all sales, transfers, disposals, cancellation and/ or use of treasury shares as at the end of the current financial period reported on.**

There was no treasury share as at 31 December 2013 and 30 June 2014.

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our external auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including and qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as stated in Note 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the audited financial statements for the financial year ended 31 December 2013.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reason for, and the effect of the change.

The Group has adopted all the new and revised Singapore Financial Reporting Standards (FRS) and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning 1 January 2014.

The adoption of the new/ revised FRS and INT FRS does not result in any significant changes to the accounting policies of the Group and has no material effect on the amounts reported for the current and prior periods.

6 Earnings per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	2Q		6 Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
Earnings per share (EPS)				
(a) Based on weighted average number of outstanding ordinary shares in issue; and	2.02 cents	2.28 cents	4.50 cents	3.81 cents
(b) On a fully diluted basis	1.68 cents	2.28 cents	3.68 cents	3.81 cents

The basic earnings per share for the half year ended 2014 and previous corresponding period have been calculated based on the weighted average number of 350,830,815 and 343,754,327 of outstanding ordinary shares. Basic earnings per share for 2Q2014 and the previous corresponding period have been calculated based on the weighted average number of 357,829,539 and 343,754,327 of outstanding ordinary shares respectively. The diluted earnings per share for half year ended 2014 and the previous corresponding period have been calculated based on 429,143,947 and 343,754,327 of outstanding ordinary shares respectively. The diluted earnings per share for 2Q2014 and the previous corresponding period have been calculated based on 429,143,947 and 343,754,327 of outstanding ordinary shares respectively.

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediate preceding financial year.

	Group		Company	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
Net asset per ordinary share based on existing issued share capital as at end of period reported on	45.46 cents	55.60 cents	42.98 cents	56.90 cents

The net asset per outstanding ordinary share as at the latest period and as at the end of the previous financial year have been calculated based on 429,143,947 and 343,754,327 outstanding ordinary shares.

8 A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion on the following:

- (a) any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Revenue
6 Months 2014 Vs 2013

	Group		
	6 Months Ended		
	30-Jun-14	30-Jun-13	Change
	S\$'000	S\$'000	%
Business Segments			
Contract Equipment Manufacturing (CEM)	451	994	-55%
Semiconductor (Semicon)	62,547	59,672	5%
	<u>62,998</u>	<u>60,666</u>	<u>4%</u>
Geographical Regions			
Singapore	35,057	37,757	-7%
United States of America ('US')	12,605	11,383	11%
Others	15,336	11,526	33%
	<u>62,998</u>	<u>60,666</u>	<u>4%</u>

Revenue
2Q2014 Vs 2Q2013

	Group		
	3 Months Ended		
	30-Jun-14	30-Jun-13	Change
	S\$'000	S\$'000	%
Business Segments			
Contract Equipment Manufacturing (CEM)	305	499	-39%
Semiconductor (Semicon)	28,384	32,322	-12%
	<u>28,689</u>	<u>32,821</u>	<u>-13%</u>
Geographical Regions			
Singapore	16,322	20,173	-19%
United States of America ('US')	5,228	5,948	-12%
Others	7,139	6,700	7%
	<u>28,689</u>	<u>32,821</u>	<u>-13%</u>

Revenue

Revenue for the six months ended 30 June 2014 ("1H2014") increased 4% to S\$63.0 million, compared to S\$60.7 million for the six months ended 30 June 2013 ("1H2013"). This was mainly due to higher semiconductor component sales in 1H2014, partially offset by lower semiconductor Integrated System revenue.

Segmentally, revenue in Semiconductor segment ("Semicon") improved 5% to S\$62.5 million compared to S\$59.7 million in 1H2013 while revenue from Contract Equipment Manufacturing segment ("CEM") decreased from S\$1.0 million in 1H2013 to S\$0.5 million in 1H2014.

Geographically, revenue from the US increased 11% to S\$12.6 million in 1H2014 as compared to \$11.4 million in 1H2013, while revenue from Singapore experienced a decline of 7% from S\$37.8 million to S\$35.1 million in 1H2014. Outside these two countries, there was a 33% improvement in revenue to S\$15.3 million in 1H2014 as compared to S\$11.5 million a year ago. These comprise mainly customers from Taiwan and Europe.

For the three months ended 30 June 2014 ("2Q2014"), UMS' revenue stood at S\$28.7 million, representing a decrease of 13% from S\$32.8 million in the corresponding quarter a year ago ("2Q2013"). This was mainly due to lower revenue from the semiconductor Integrated System business during 2Q2014. In 2Q2014, revenue in Semicon decreased 12% to S\$28.4 million from S\$32.3 million in 2Q2013. For CEM, its 2Q2014 revenue declined 39% to S\$0.3 million as compared to S\$0.5 million a year ago.

On a sequential basis, UMS' total revenue in 2Q2014 decreased 16% as compared to that of the preceding three months ended 31 March 2014 ("1Q2014"). Segmentally, Semicon revenue in 2Q2014 experienced a drop of 17% from S\$34.2 million in 1Q2014 while revenue contribution from CEM increased 109% from S\$0.1 million in 1Q2014.

For the quarter under review, Singapore continued to take up the majority of UMS' overall revenue with its contribution at S\$16.3 million, which represented a drop of 19% from S\$20.2 million in 2Q2013 and this was mainly due to lower semiconductor Integrated System sales. For the same period, revenue from the US decreased 12% to S\$5.2 million in 2Q2014 as compared to S\$5.9 million in 2Q2013, which was mainly due to lower component sales. Revenue from Others rose 7% from S\$6.7 million in 2Q2013 to S\$7.1 million in 2Q2014 and this was attributed to higher spare parts sales.

Profitability

Gross material margin improved from 49% in 1H2013 to 55% in 1H2014 as a result of higher component sales. Typically, higher component sales would result in higher margins.

Employee benefits expense was flat at S\$6.2 million for 1H2014 (1H2013: S\$6.2 million). However this include a write back of bonus provision in respect of previous year. Depreciation expenses reduced 6% to S\$3.8 million in 1H2014. Other expenses for 1H2014 rose 5% to S\$6.3 million from S\$6.0 million in 1H2013, as there was higher expenses associated with maintenance of machinery and equipment carried out in the period.

Overall, UMS had witnessed a 21% increase in net profit from S\$13.1 million in 1H2013 to S\$15.8 million in 1H2014.

In 2Q2014, UMS' gross material margin grew from 50% in 2Q2013 to 57% in 2Q2014 due to a shift in product mix. The write back of excess bonus provisions accounted for the decrease in personnel related cost (ie. employee benefits expense). Depreciation expenses remained at a comparable level to the previous year, at S\$2.0 million.

Other expenses declined 8% to S\$2.9 million as an effect of lower production activities during the quarter. Other credits/ charges in 2Q2014 included an exchange loss of S\$0.35 million as a result of the depreciation of USD during 2Q2014. In 2Q2013, there was an exchange gain of S\$0.75 million.

As a result, net profit decreased 8% to S\$7.2 million in 2Q2014 as compared to S\$7.8 million in 2Q2013.

Cashflow

The Group continued to demonstrate good cashflow generation ability and generated S\$18.4 million of positive net cash from operating activities as well as S\$14.2 million of free cash flow in 1H2014, which translated to an increase of 30% and 4% respectively as compared to 1H2013.

For the quarter under review, the Group generated S\$5.4 million of positive net cash from operating activities and S\$3.9 million of free cash flow in 2Q2014. As compared to 2Q2013, the current quarter's cashflow included higher bonuses and tax paid in arrears for FY2013 performance, and advanced payments for capital expenditure in Penang. Such advanced payments are classified as other receivables. UMS is expected to spend another S\$1.5 million on capital expenditure for replacement of older and less efficient equipment for the rest of the financial year.

As of 30 June 2014, after a dividend payment of S\$12.0 million, UMS continues to have a healthy net cash and cash equivalents of S\$31.1 million.

9 Where a forecast, or prospect statement has been previously disclosed to the shareholders, any variance between it and the actual results.

The current announced results were in line with the general prospect commentary previously disclosed to shareholders in the 1Q2014 results announcement made on 8 May 2014. Amongst others, the Group had commented that its business for 1H2014 will be robust.

10 A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

As the Group moves into third quarter of the year, it is entering a period where its customers' demands are typically at the lowest. However, the Group is optimistic that demands should pick up towards the last quarter of 2014.

SEMI, a leading global semiconductor trade association, predicts that 2014 looks to be a year for spending growth as the Year-to-date equipment billings are on the right track for growth, with 2014 billings through April approaching 30 percent year-over-year growth.¹ In a separate report, SEMI also forecasted that after two years of decline, fab equipment spending for new Front End facilities in 2014 is expected to increase 24 percent in 2014 to US\$35.7 billion.²

Gartner, a worldwide leading information technology research and advisory company, commented that worldwide semiconductor capital equipment spending is projected to total \$37.5 billion in 2014, an increase of 12.2 percent from 2013 spending of \$33.5 billion. Momentum from exceptionally strong fourth-quarter 2013 sales is carried forward into the first quarter, then is expected to bounce around a flat trend line through the remainder of 2014.³

The Group remains confident that the second half of 2014 will be profitable.

Footnote:

¹Refer to <http://www.semi.org/en/node/50311> for SEMI citation

²Refer to <http://www.semi.org/node/50086>

³Refer to <http://www.gartner.com/newsroom/id/2717917>

11 Dividend

(a) Current Financial Period Reported

Any dividend declared for the current financial period reported on? **Yes**

Name of Dividend	Proposed Interim Dividend
Dividend Type	Cash
Dividend Amount (SGD)	1.0 cent per ordinary share, (tax exempt one-tier)
Tax rate	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? **Yes**

Name of Dividend	Proposed Interim Dividend
Dividend Type	Cash
Dividend Amount (SGD)	1.0 cent per ordinary share, (tax exempt one-tier)
Tax rate	Not applicable

(c) Date payable

28 October 2014.

(d) Books closure date

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 10 October 2014, for the purpose of determining members' entitlements to the Second Interim Dividend of 1.0 cent per ordinary share (tax-exempt one-tier) for the financial year ending 31 December 2014.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to the close of business at 5.00 p.m. on 9 October 2014 will be registered before entitlements to the Second Interim Dividend are determined. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 9 October 2014 will be entitled to the Second Interim Dividend.

12 If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.

	6 Months Ended 30 June 2014
Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) S\$'000
Sure Achieve Enterprises Pte Ltd (Note 1) Consultancy Services charges	397
Kalf Engineering Pte Ltd (Note 2) Factory rental	12

Note 1: Transaction above is with Sure Achieve Enterprises Pte Ltd in which Mrs. Sylvia SY Lee Luong is a director. She was formerly the executive director/COO of the UMS Group and is the wife of the CEO, Mr. Andy Luong. She left the Company's employ on 6 March 2013 and continued as a consultant thereafter.

The aggregate value of IPT entered into between the Group and Sure Achieve Enterprises Pte Ltd for the period ended 30 Jun 2014 amounted to S\$397,000 which represented approximately 0.4% of the Group's latest audited net tangible assets as at 31 December 2013.

Note 2: Kalf Engineering Pte Ltd is a company in which both executive directors Mr. Luong Andy and Mr. Stanley Loh Meng Chong have an interest. The factory rental arrangement was from 11 February 2014 to 11 April 2014.

14 Negative confirmation pursuant to Rule 705 (5)

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the 2Q2014 and the period ended 30 June 2014 financial results to be false or misleading in any material respect.

On behalf of the Board

Luong Andy
Chief Executive Officer

Stanley Loh Meng Chong
Executive Director

BY ORDER OF THE BOARD

Luong Andy
Chief Executive Officer
6 August 2014