

UMS HOLDINGS LIMITED

(Company Registration Number 200100340R)
(Incorporated in the Republic of Singapore)

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors of UMS Holdings Limited (the “Company” and together with its subsidiaries, the Group”) would like to thank shareholders for submitting their questions in advance of the Annual General Meeting to be held by way of electronic means on 23 June 2020.

The Company and the Board wishes to provide its response to substantial and relevant questions set out via the following topics:

1. **Dividends**
2. **Business strategy/ outlook/ prospects**
3. **COVID 19 impact**
4. **Strategic Diversification: Kalf Engineering and Starke Singapore and JEP**
5. **Interested Person Transaction (IPT): Sure Achieve Consultant Pte Ltd**

1. Dividends

Question	Response
Is the dividend of 1 cent per share issued in 1QFY2020 sustainable? Please provide Dividend Guidance for this year 2020.	Currently the Group remains profitable and has a healthy cashflow. Therefore, to reward shareholders, the Group has declared a 1 cent dividend during the 1QFY2020 results announcements. The Group will continue to monitor and balance its capital requirements with dividend payments to shareholders.
Will final dividend of 2 cents and special dividend of 0.5 cents per share issued in 4QFY2019 be maintained in FY2020?	Given the uncertainty in global market conditions, the Group will need to stay prudent and manage its capital needs carefully. We will therefore continue to monitor and balance our capital requirements with dividend payments to shareholders.

2. Business Strategy/Outlook/Prospects

Question	Response
What is the business outlook for the semiconductor industry? Will UMS be able to take advantage of the 5G revolution? If so, kindly share how the company can ride on this growth?	In view of the Covid-19 pandemic, according to Gartner Inc., worldwide semiconductor revenue is forecast to decline 0.9% in 2020. Supply chain disruption and tough government measures to contain the outbreak will also weigh down on the industry. However, customer orders remain robust and the long-term outlook still remains positive due to the acceleration of 5G, artificial intelligence (AI) and other technology-driven

	<p>developments such as Smart Cities and the increased demand for data.</p> <p>UMS can ride these growth trends through its customers. As demand for 5G, AI and other technology-driven development increases, this will drive increased Capex spending of chip makers. As UMS' key customer is one of the largest semiconductor equipment manufacturers in the world, we will benefit from the rise in 5G demand.</p>
Does UMS have any plans/opportunities for M&A or diversification?	We will continuously look for companies with good growth prospects that have synergy with UMS. However, at this juncture and in view of the COVID 19 pandemic, we will take a prudent approach to further diversification. Having said that, we will still explore good opportunities when these arise - as there may be attractive potential opportunities in a crisis or downturn.
What are the risk and opportunities for UMS?	<p>Like many other companies, there are business risks we face such as supply chain disruptions, currency volatility, challenges arising from global trade and economic downturn and strict government measures imposed to contain COVID 19 pandemic. UMS also has heavy reliance on our major customer and the semiconductor industry.</p> <p>While we face challenges, we can also take advantage of growth opportunities arising from the acceleration of 5G, artificial intelligence (AI) and other technology-driven developments such as Smart Cities and the increased demand for data.</p> <p>These will spur demand for chips globally - which will be positive for us as UMS is a beneficiary of the long-term growth in the semiconductor industry.</p>
What is the Outlook for the next few years?	<p>We expect that the short- term outlook will be challenging due to supply chain disruptions, manpower shortages and other issues resulting from COVID 19.</p> <p>However, the long-term outlook remains positive as customer orders remain robust and the long-term outlook still looks bright due to the acceleration of 5G, artificial intelligence (AI) and other technology-driven developments such as Smart Cities and the increased demand for data.</p> <p>Going forward, we are confident that our business strategies will stand us in good stead. Barring any unforeseen circumstances, UMS will remain profitable in FY2020.</p>
Please elaborate on US-China trade war and its impact on UMS?	The US-China trade dispute is an ongoing global conundrum.

	<p>So far, our major customer has not shared any guidance on the superpower trade dispute with us.</p> <p>Orders from our major customer remain strong and the impact of the US-China trade war on our performance is currently not material.</p>
What is UMS sales strategy to increase its revenue?	<p>UMS is constantly working closely with our existing customers by promoting ourselves to capture a larger share of their business.</p> <p>UMS is also actively pursuing new customers.</p>

3. COVID 19 impact

Question	Response
What has been the impact of COVID 19 on UMS' operations?	<p>The impact so far has been limited. Our Component business did face some supply chain constraints in Singapore during the circuit breaker. Since then, the situation has improved as Circuit Breaker measures have eased.</p> <p>Malaysia's operations were only temporarily halted during the second half of March when the MCO announcements were made by the Malaysian authorities. So disruption impact was limited. Since April 29, 2020 we have resumed operations to full capacity.</p>
In light of COVID 19, going forward, how does UMS' order books look?	Our order books remain robust.

4. Strategic Diversification: Kalf Engineering and Starke Singapore and JEP

Question	Response
<p>JEP Holdings: As Mr Andy Luong has been appointed the executive chairman and chief executive officer of JEP, would Mr Luong have sufficient bandwidth to afford the time, energy and attention to both listed companies without compromising his leadership of both companies?</p>	<p>Mr. Luong has committed adequate time in leading and managing the daily operational matters of both Companies effectively with the assistance of the Group's key management personnel. He has committed to spend at least half of his working week advancing the interests of the UMS Group.</p> <p>The Nominating Committee is of the view that this commitment is sufficient for the Group's needs. With his strong business network in various industries, Mr. Luong is capable to lead and grow the Group further.</p> <p>Both UMS and JEP have performed well and delivered positive results under his guidance.</p> <p>For more info on their financial performance, please visit : - For JEP : https://www.jep-holdings.com/</p>

	- For UMS : http://www.umsgroup.com.sg/
<p>Starke Singapore: What is the competitive advantage of Starke which is in the business of material distribution?</p>	<p>Starke has earned a strong reputation as a leading metal service centre. It provides premium raw materials and use cutting-edge production technologies to meet clients' ever-increasing quality requirements</p> <p>It has dedicated partners worldwide to supply high quality materials and solutions for a variety of demanding applications. Its partners are accredited world-class mills from the United States, Europe, China, Russia, South Africa, South Korea, India, etc.</p> <p>Starke is certified by Intertek to AS9100C/JISQ9100:2009 and ISO 9001:2008 standards.</p> <p>This is a recognition of Starke's outstanding products and service quality, which meets the critical quality requirements of the aerospace industry.</p> <p>In addition, it has a large stock of high-quality metals with strong sourcing capabilities of special metal products to meet complex client requirements. It has extensive warehouse facilities of approximately 34,500 sq ft - for stock management, logistics and storage of metal products.</p> <p>Its one-stop solutions for clients - from sourcing, production, and distribution; plus its well-equipped facilities with precision-cutting tools and systems to fabricate the products of various dimensions makes it one of the top metal specialists in Singapore.</p> <p>For more info, please visit: https://www.starke.com.sg/</p>
<p>Kalf Engineering: Kalf Engineering continued to be loss-making and the group undertook a restructuring exercise and assigned a senior executive to assist Kalf to turn it around. In addition, one founder of Kalf left and had his shares transferred to the group CEO. Would the company clarify if the founder of Kalf left and transferred his shares at no consideration to Mr Luong?</p> <p>Would the company be receiving a proportional share of the shares transferred?</p>	<p>Mr John Zheng, one of the directors of Kalf Engineering, has stepped down and transferred his shares to Mr Luong who has paid for the shares.</p> <p>The Company will not be receiving any proportion of the shares transferred to Mr Luong.</p>

<p>Kalf Engineering: The loans to the Group's related parties bear interest at 10% per annum (2018: 10%).</p> <p>1) Can you confirm if there is a loan (with 10% interest) made to Kalf Engineering from UMS' CEO - Mr. Luong?</p> <p>2) Can the independent directors explain why UMS is keeping Kalf Engineering, which is losing money, for so long and paying 10% interest to the CEO?</p> <p>3) Many companies who have invested in loss-making companies have closed them. Is UMS planning to do so?</p> <p>4) If the Board decides to continue Kalf Engineering's business, can the directors ensure that Kalf Engineering will make money in the next few years and that there will be no more impairment losses?</p>	<p>1) Yes, there is a loan (with 10% interest) made to Kalf Engineering from UMS' CEO – Mr Luong.</p> <p>However, please note that there are repayment conditions to safeguard the interest of UMS, as stated in the UMS Annual Report - note 22 (page 101), the loan is classified as non-current liabilities as it is repayable only when the below conditions are met:</p> <p>(i) The subsidiary becomes profitable and is in a positive net asset position;</p> <p>(ii) The board of directors of the Company approves the repayment after ascertaining the working capital sufficiency of the subsidiary at the time of repayment; and</p> <p>(iii) Subject to points (i) and (ii) above being met, up to 50% of annual profits generated or cash generated from operations, whichever is lower, can be used to pay down the loan from related parties.</p> <p>As the subsidiary is not profitable, there is no repayment made to Mr Luong.</p> <p>2) The Board is closely monitoring the performance of Kalf Engineering and believes, that the long-term growth potential of the company is promising.</p> <p>3) UMS has no plans to divest or close Kalf Engineering. The Board will continue to monitor the performance of the company.</p> <p>In addition, with the economic downturn and challenging global market conditions caused by the COVID 19 pandemic, Kalf Engineering has undertaken a restructuring exercise and the Group has since assigned a senior executive to help the company turn around to achieve a profitable growth.</p> <p>The Board believes that the long-term prospects for chemical engineering and water treatment solutions remain positive and will work hard to achieve a turnaround to profitability.</p> <p>4) Due to current challenging market conditions, the Board cannot guarantee Kalf Engineering will be profitable in the near term.</p>
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5. Interested Person Transaction (IPT): Sure Achieve Consultant Pte Ltd

Question	Response
<p>Sure Achieve Consultant Pte Ltd:</p> <p>1) Would the board help shareholders understand the services and the deliverables under the consultancy services provided by “Sure Achieve Consultant Pte Ltd”?</p> <p>2) How are the fees determined? In FY2018 and FY2019, the fees were \$1.92 million and \$1.66 million respectively.</p> <p>3) Does the consultant report to the executive chairman and CEO?</p> <p>4) Is there a fixed term to the consultancy agreement with “Sure Achieve Consultant Pte Ltd”?</p>	<p>1) Sure Achieve provides marketing and sales consultancy to the Group. The key work scope includes :</p> <ul style="list-style-type: none"> - promoting, marketing and supporting the Company’s products; - designing, developing and implementing marketing programs and/or pricing strategies to support the Company’s products, services or market sector; and - designing, developing and implementing sales programs to meet the Company’s business objectives. <p>As the key consultant of Sure Achieve enjoys a long-standing relationship with our key customer, she is able to provide the Group good advice on marketing strategies and managing the working relationships with the various departments of our key customer which is a global leader in the semiconductor equipment market. She also plays a key role in sourcing and developing more business opportunities with our key customer.</p> <p>2) The fees are based on three components:</p> <ul style="list-style-type: none"> - Basic fee component - Variable fee component (according to the sales achieved) - Bonus component (recommended by the CEO and deliberated by the Remuneration Committee (RC)) <p>The terms of Sure Achieve's fees are decided by the RC. The Committee believes that the fees commensurate with the roles and responsibilities of the consultant and the amount also reflects the value of the work that was being done.</p> <p>The fees are also within market rates for similar scope of services.</p> <p>3) The consultant reports to the Chairman and the CEO of the company.</p> <p>4) There is no fixed term to the agreement. Instead, the agreement with Sure Achieve is reviewed annually.</p>

By Order of the Board

Luong Andy

Chief Executive Officer

Singapore

23 June 2020