

**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 2016**

	<b>Group</b>					
	<b>2Q</b>			<b>6 Months Ended</b>		
	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>Change</b>	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Revenue	23,607	31,043	-24%	43,969	58,510	-25%
Net finance income (Note (a))	27	25	8%	56	39	44%
Changes in inventories	(1,874)	(1,240)	51%	(1,722)	771	N.M
Raw material purchases and subcontractor charges	(8,145)	(11,961)	-32%	(16,424)	(25,859)	-36%
Employee benefits expense	(2,393)	(3,462)	-31%	(5,006)	(6,806)	-26%
Depreciation expense	(1,565)	(1,986)	-21%	(2,985)	(3,976)	-25%
Other expenses (Note (b))	(2,378)	(2,899)	-18%	(5,023)	(5,577)	-10%
Other (charges)/ credits (Note (c))	-	(213)	N.M	(1,870)	619	N.M
Share of result of associate (net of tax)	(11)	-	N.M	(22)	-	N.M
<b>Profit before income tax</b>	<b>7,268</b>	<b>9,307</b>	<b>-22%</b>	<b>10,973</b>	<b>17,721</b>	<b>-38%</b>
Income tax expense (Note (d))	(799)	(1,041)	-23%	(1,124)	(1,914)	-41%
<b>Net profit for the period from continuing operations</b>	<b>6,469</b>	<b>8,266</b>	<b>-22%</b>	<b>9,849</b>	<b>15,807</b>	<b>-38%</b>
<b>Attributable to:</b>						
Equity holders of the Company	6,469	8,266	-22%	9,849	15,807	-38%
Minority interests	-	-	N.M	-	-	N.M
	<b>6,469</b>	<b>8,266</b>	<b>-22%</b>	<b>9,849</b>	<b>15,807</b>	<b>-38%</b>

N.M - Not meaningful

**NOTES TO INCOME STATEMENT****Note (a) Net finance income**

	Group					
	2Q			6 Months Ended		
	30-Jun-16 S\$'000	30-Jun-15 S\$'000	Change %	30-Jun-16 S\$'000	30-Jun-15 S\$'000	Change %
Interest income	27	25	8%	56	39	44%
Interest expense	-	-	N.M	-	-	N.M
Net finance income	27	25	8%	56	39	44%

**Note (b) Other expenses**

	Group					
	2Q			6 Months Ended		
	30-Jun-16 S\$'000	30-Jun-15 S\$'000	Change %	30-Jun-16 S\$'000	30-Jun-15 S\$'000	Change %
Legal and professional fees	(318)	(302)	5%	(622)	(597)	4%
Rental expense (includes leasing of land) (Note (i))	(254)	(361)	-30%	(477)	(742)	-36%
Utilities	(682)	(787)	-13%	(1,306)	(1,515)	-14%
Freight charges	(72)	(116)	-38%	(180)	(248)	-27%
Insurance	(116)	(95)	22%	(257)	(263)	-2%
Upkeep of properties and equipment	(1)	(48)	-98%	(199)	(75)	165%
Upkeep of machinery (Note (ii))	(407)	(773)	-47%	(949)	(1,227)	-23%
Others	(528)	(417)	27%	(1,033)	(910)	14%
	(2,378)	(2,899)	-18%	(5,023)	(5,577)	-10%

Note 1 (a)(b)(i) – The decrease in rental expense by S\$0.1M for the period was mainly due to the Group having substantially vacated the premise at 25 Changi North Rise in Nov 2015.

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

**Note (c) Other credits**

	<b>Group</b>					
	<b>2Q</b>			<b>6 Months Ended</b>		
	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>Change</b>	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Foreign exchange gain/ (loss) (Note (i))	364	(218)	N.M	(1,563)	612	N.M
Gain on disposal of property, plant and equipment	-	-	N.M	7	-	N.M
Property, plant & equipment written off	-	-	N.M	(20)	(2)	900%
Inventories written off	-	-	N.M	-	(24)	-100%
Allowance for inventories obsolescence	(353)	-	N.M	(353)	-	N.M
Others	(11)	5	N.M	59	33	79%
	-	(213)	-100%	(1,870)	619	N.M

Note 1(a)(c)(i) - The exchange gain in 2Q2016 was due to appreciation of the US dollar during the period.

**Note (d) Income tax**

	<b>Group</b>					
	<b>2Q</b>			<b>6 Months Ended</b>		
	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>Change</b>	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Income tax:						
- Current	(799)	(1,041)	-23%	(1,124)	(1,914)	-41%
- Deferred tax	-	-	N.M	-	-	N.M
	(799)	(1,041)	-23%	(1,124)	(1,914)	-41%

Note 1(a)(d) - The decrease in current income tax was due to lower profits during the period.

**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 2016 S\$'000	31 Dec 2015 S\$'000	30 Jun 2016 S\$'000	31 Dec 2015 S\$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and bank balances (Note (ii))	35,399	38,933	447	223
Trade receivables and other current assets (Note (iii))	14,486	12,420	379	4,226
Inventories	35,638	37,361	-	-
<b>Total Current Assets</b>	<b>85,523</b>	<b>88,714</b>	<b>826</b>	<b>4,449</b>
<b>Non-Current Assets</b>				
Investment in subsidiaries (Note (i))	-	-	192,415	192,415
Property, plant and equipment	33,604	34,807	-	-
Investment property	2,302	2,411	-	-
Investment in associate (Note (iv))	26	-	-	-
Loan to associate	277	-	277	-
Goodwill	81,683	81,683	-	-
<b>Total Non-Current Assets</b>	<b>117,892</b>	<b>118,901</b>	<b>192,692</b>	<b>192,415</b>
<b>Total Assets</b>	<b>203,415</b>	<b>207,615</b>	<b>193,518</b>	<b>196,864</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Bank borrowings (Note (ii))	1,249	-	-	-
Trade and other payables	7,423	9,760	14,687	7,981
Income tax payable	1,636	1,975	6	21
<b>Total Current Liabilities</b>	<b>10,308</b>	<b>11,735</b>	<b>14,693</b>	<b>8,002</b>
<b>Non Current Liabilities</b>				
Deferred tax liabilities	972	972	-	-
Long-term provision *	443	443	-	-
<b>Total Non-Current Liabilities</b>	<b>1,415</b>	<b>1,415</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>11,723</b>	<b>13,150</b>	<b>14,693</b>	<b>8,002</b>
<b>Capital and Reserves</b>				
Share Capital	136,623	136,623	136,623	136,623
Reserves	(8,894)	(9,146)	-	-
Retained earnings	63,963	66,988	42,202	52,239
<b>Total Equity</b>	<b>191,692</b>	<b>194,465</b>	<b>178,825</b>	<b>188,862</b>
<b>Total Liabilities and Equity</b>	<b>203,415</b>	<b>207,615</b>	<b>193,518</b>	<b>196,864</b>

\* Provision for reinstatement of leased premises.

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

The details of the subsidiaries as at 30 June 2016 are as follows:

Name	Effective percentage of equity held by the group		Company's cost of investment	
	30-Jun-2016 %	31-Dec-2015 %	30-Jun-2016 S\$'000	31-Dec-2015 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) Unquoted equity shares, at cost	100	100	30,772	30,772
			216,213	216,213
Less: Provision for impairment			(23,798)	(23,798)
			192,415	192,415
<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 decrease in net cash by S\$4.8 million was mainly due to dividends paid during the quarter, partially offset by net cash generated from operation activities during the period.

Note 1(b)(i)(iii)– Trade receivables and other current assets increased by S\$2.1 million, which were mainly due to higher sales during the period.

Note 1(b)(i)(iv) – Investment in associate relates to the Group's 10% equity interest investment in Allstar Manufacturing Sdn Bhd (formerly known as All Star Fortress Sdn. Bhd (the " Associate")) and the Group's share of the Associate's current period result.

**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 2016			As at 31 Dec 2015		
Secured	Unsecured	Total	Secured	Unsecured	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
-	1,249	1,249	-	-	-

**Details of any collateral**

The Group's borrowings comprise short-term bank borrowings.

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-16 S\$'000	30-Jun-15 S\$'000	30-Jun-16 S\$'000	30-Jun-15 S\$'000
<b>Cash flows from operating activities</b>				
Profit before income tax	7,268	9,307	10,973	17,721
Adjustments for:				
Depreciation expense	1,565	1,986	2,985	3,976
Allowance for inventories obsolescence	353	-	353	-
Inventories written off	-	-	-	24
Property, plant and equipment written off	-	-	20	2
Gain on disposal of property, plant and equipment	-	-	(7)	-
Interest income	(27)	(25)	(56)	(39)
Share of result of associate (net of tax)	11	-	22	-
Unrealised foreign exchange (gain)/ loss	(150)	358	1,768	(265)
<b>Operating cash flows before working capital changes</b>	<b>9,020</b>	<b>11,626</b>	<b>16,058</b>	<b>21,419</b>
Changes in working capital:				
Trade receivables and other current assets	(911)	3,652	(2,829)	(825)
Inventories	1,534	1,271	1,390	(799)
Trade and other payables	(2,568)	(2,540)	(1,884)	1,120
<b>Cash generated from operations</b>	<b>7,075</b>	<b>14,009</b>	<b>12,735</b>	<b>20,915</b>
Income tax paid	(1,348)	(997)	(1,379)	(1,292)
<b>Net cash generated from operating activities</b>	<b>5,727</b>	<b>13,012</b>	<b>11,356</b>	<b>19,623</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	-	-	7	-
Purchase of property, plant and equipment	(574)	(391)	(1,167)	(591)
Loan to associate	(135)	-	(277)	-
Investment in associate	-	-	(48)	-
Interest received	27	25	56	39
<b>Net cash used in investing activities</b>	<b>(682)</b>	<b>(366)</b>	<b>(1,429)</b>	<b>(552)</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowings	1,249	-	1,249	-
Dividends paid	(12,874)	(12,874)	(12,874)	(12,874)
Withdrawal of fixed deposit - restricted	-	-	-	247
<b>Net cash used in financing activities</b>	<b>(11,625)</b>	<b>(12,874)</b>	<b>(11,625)</b>	<b>(12,627)</b>
Net effect of exchange rate changes	(801)	(966)	(1,837)	(380)
Net (decrease)/ increase in cash and cash equivalents	(7,381)	(1,194)	(3,535)	6,064
Cash and cash equivalents at beginning of the period	42,780	40,801	38,934	33,543
<b>Cash and cash equivalents at end of the period</b>	<b>35,399</b>	<b>39,607</b>	<b>35,399</b>	<b>39,607</b>

- 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-16 S\$'000	30-Jun-15 S\$'000	Change %	30-Jun-16 S\$'000	30-Jun-15 S\$'000	Change %
<b>Net Profit for the period</b>	6,469	8,266	-22%	9,849	15,807	-38%
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	(1,056)	(1,303)	-19%	252	(1,793)	-114%
<b>Total comprehensive income for the period</b>	5,413	6,963	-22%	10,101	14,014	-28%
<b>Attributable to:</b>						
Equity holders of the Company	5,413	6,963	-22%	10,101	14,014	-28%
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
<b>Group</b>				
<b>Balance at 1 January 2015</b>	136,623	(4,263)	58,438	190,798
<b>Changes in equity for first quarter</b>				
Net profit for the period	-	-	7,541	7,541
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	(490)	-	(490)
<b>Total comprehensive income for the quarter</b>	-	(490)	7,541	7,051
<b>Balance at 31 March 2015</b>	136,623	(4,753)	65,979	197,849
<b>Changes in equity for second quarter</b>				
Net profit for the period	-	-	8,266	8,266
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	(1,303)	-	(1,303)
<b>Total comprehensive income for the quarter</b>	-	(1,303)	8,266	6,963
Dividend paid	-	-	(12,874)	(12,874)
<b>As at 30 June 2015</b>	136,623	(6,056)	61,371	191,938

<b>Group</b>	<b>Share Capital S\$'000</b>	<b>Foreign Exchange Translation Reserve S\$'000</b>	<b>Retained Earnings S\$'000</b>	<b>Total equity attributable to equity of holders of the Company S\$'000</b>
<b>Balance at 1 January 2016</b>	136,623	(9,146)	66,988	194,465
<b>Changes in equity for first quarter</b>				
Net profit for the period	-	-	3,380	3,380
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	1,308	-	1,308
<b>Total comprehensive income for the quarter</b>	-	1,308	3,380	4,688
<b>Balance at 31 March 2016</b>	136,623	(7,838)	70,368	199,153
<b>Changes in equity for second quarter</b>				
Net profit for the period	-	-	6,469	6,469
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	(1,056)	-	(1,056)
<b>Total comprehensive income for the quarter</b>	-	(1,056)	6,469	5,413
Dividend paid	-	-	(12,874)	(12,874)
<b>As at 30 June 2016</b>	136,623	(8,894)	63,963	191,692

<b>Company</b>	<b>Share Capital S\$'000</b>	<b>Capital Reserve S\$'000</b>	<b>Retained Earnings S\$'000</b>	<b>Total equity attributable to equity of holders of the Company S\$'000</b>
<b>Balance at 1 January 2015</b>	136,623	-	52,846	189,469
<b>Changes in equity for first quarter</b>				
Net loss for the period	-	-	(614)	(614)
<b>Total comprehensive expenses for the quarter</b>	-	-	(614)	(614)
<b>Balance at 31 March 2015</b>	136,623	-	52,232	188,855
<b>Changes in equity for second quarter</b>				
Net loss for the period	-	-	(608)	(608)
<b>Total comprehensive income for the quarter</b>	-	-	(608)	(608)
Dividend paid	-	-	(12,874)	(12,874)
<b>As at 30 June 2015</b>	136,623	-	38,750	175,373

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
<b>Balance at 1 January 2016</b>	136,623	-	52,239	188,862
<b>Changes in equity for first quarter</b>				
Net loss for the period	-	-	(566)	(566)
<b>Total comprehensive expenses for the quarter</b>	-	-	(566)	(566)
<b>Balance at 31 March 2016</b>	136,623	-	51,673	188,296
<b>Changes in equity for second quarter</b>				
Net gain for the period	-	-	3,403	3,403
<b>Total comprehensive income for the quarter</b>	-	-	3,403	3,403
Dividend paid	-	-	(12,874)	(12,874)
<b>As at 30 June 2016</b>	136,623	-	42,202	178,825

- 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.**

There was no change in the Company's issued share capital since last financial year ended 31 December 2015 to 30 June 2016.

- 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 2016 was 429,143,947 (31 December 2015: 429,143,947).

- 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 held as at 31 December 2015 and 30 June 2016.

- 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 2015.

**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 2016.

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-16	30-Jun-15	30-Jun-16	30-Jun-15
Earnings per ordinary share of the Group based on net profit attributable to owners of the company:-				
(a) Based on the weighted average number of ordinary shares on issue	1.51 cents	1.93 cents	2.30 cents	3.68 cents
- Weighted average number of shares	429,143,947	429,143,947	429,143,947	429,143,947
(b) On a fully diluted basis	1.51 cents	1.93 cents	2.30 cents	3.68 cents
- Weighted average number of shares	429,143,947	429,143,947	429,143,947	429,143,947

**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-16	31-Dec-15	30-Jun-16	31-Dec-15
Net asset per ordinary share based on existing issued share capital as at end of period reported on	44.67 cents	45.31 cents	41.67 cents	44.01 cents

The net asset per outstanding ordinary share as at both the current and the previous financial year have been calculated based on 429,143,947 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 2016 Vs 2015

	Group		
	6 Months Ended		
	30-Jun-16 S\$'000	30-Jun-15 S\$'000	Change %
<b>Business Segments</b>			
Semiconductor (Semicon)	43,207	58,387	-26%
Others	762	123	520%
	<b>43,969</b>	<b>58,510</b>	<b>-25%</b>
<b>Geographical Regions</b>			
Singapore	25,166	30,947	-19%
United States of America ('US')	5,188	14,485	-64%
Others	13,615	13,078	4%
	<b>43,969</b>	<b>58,510</b>	<b>-25%</b>

#### Revenue

##### 2Q2016 Vs 2Q2015

	Group		
	2Q		
	30-Jun-16 S\$'000	30-Jun-15 S\$'000	Change %
<b>Business Segments</b>			
Semiconductor (Semicon)	23,599	31,038	-24%
Others	8	5	60%
	<b>23,607</b>	<b>31,043</b>	<b>-24%</b>
<b>Geographical Regions</b>			
Singapore	14,272	16,555	-14%
United States of America ('US')	2,733	7,520	-64%
Others	6,602	6,968	-5%
	<b>23,607</b>	<b>31,043</b>	<b>-24%</b>

#### Revenue

Revenue for the three months ended 30 June 2016 ("2Q2016") decreased by 24% from S\$31.0 million a year ago ("2Q2015") to S\$23.6 million. On a sequential basis, revenue in 2Q2016 increased by 16% from S\$20.4million in the preceding quarter ("1Q2016").

In 2Q2016, revenue contribution from the Group's semiconductor business segment was lower by 24% to S\$23.6 million compared to S\$31.0 million in the previous corresponding period ("2Q2015"). Compared to 2Q2015, semiconductor Integrated System sales decreased by 15% from S\$12.9 million to S\$11.0 million whereas revenue from component sales decreased by 31% from S\$18.1 million to S\$12.6 million.

Geographically, Singapore continues to account for the majority of the Group's revenue, contributing S\$14.3 million in 2Q2016, a 14% fall from S\$16.6 million in 2Q2015. This was largely attributed to lower semiconductor Integrated System sales. Revenue from United States of America ("US") stood at S\$2.7 million, a 64% decrease from a year ago due to lower component sales.

For the six months ended 30 June 2016 ("1H2016"), the Group's revenue decreased by 25% to S\$44.0 million from S\$58.5 million from the previous corresponding 6 months ("1H2015"). Compared to 1H2015, semiconductor Integrated System sales decreased by 17% from S\$23.4 million to S\$19.3 million whereas revenue from component sales decreased by 32% from S\$35.0 million to S\$23.9 million.

For the same six months period, the Group's revenue from Singapore decreased by 19% from S\$30.9 million a year ago to S\$25.2 million. Revenue from US decreased by 64% from S\$14.5 million in 1H2015 to S\$5.2 million in 1H2016 while revenue from Others stood at S\$13.6 million, a 4% increase from S\$13.1 million in 1H2015.

### **Profitability**

For the quarter under review, the Group's gross material margin remained relatively flat at 58% as compared to prior year quarter. During the current quarter, employee benefits decreased by 31% to S\$2.4 million from S\$3.5 million in 2Q2015 due to lower bonus provisions. Depreciation expense decreased by 21% to S\$1.6 million from S\$2.0 million in 2Q2015 due to more fixed assets being fully depreciated. Other expense declined 18% to S\$2.4 million as an effect of lower production activities. Other charges/ credits for 2Q2016 included an exchange gain of S\$0.4 million (2Q2015: exchange loss of S\$0.2 million), a result of the appreciation of USD during 2Q2016. The gain was offset by allowance for inventories obsolescence amounting to S\$0.4 million

The Group recorded a lower net profit after tax of S\$6.5 million in 2Q2016, as compared to S\$8.3 million in 2Q2015.

For the half year of 1H2016, the Group's gross material margin improved from 57% in 1H2015 to 59%. Employee benefits expense decreased 26% to S\$5.0 million for the same reason mentioned above. Depreciation expense in 1H2016 stood at S\$3.0 million as compared to S\$4.0 million in 1H2015 while Other expenses fell 10% from S\$5.6 million in 1H2015 to S\$5.0 million in 1H2016. Other charges/ credits in 1H2016 registered a loss of S\$1.9 million compared to a gain of S\$0.6 million in 1H2015.

As a result of the above, the Group's net profit decreased from S\$15.8 million in 1H2015 to S\$9.8 million in 1H2016.

### **Cashflow**

In 2Q2016, UMS continued to generate strong cash flow with a positive operating cash flow of S\$5.7 million and free cash flow of S\$5.2 million.

For the half year comparison, the Group generated positive operating cash flow of S\$11.4 million and free cash flow of S\$10.2 million in 1H2016, compared to S\$19.6 million and S\$19.0 million in 1H2015 respectively.

As at 30 June 2016, after a dividend payment of S\$12.9 million, the Group's net cash remained healthy at S\$34.2 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 are in line with the general prospect commentary previously disclosed to shareholders in the 1Q2016 results announcement made on 10 May 2016. Amongst others, the Group had commented that the Group expects business activities in the second quarter to be relatively subdued.

## **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.**

Our major customer has recently announced a strong set of results. Amongst others, it commented that during its recent quarter, it received the highest orders in the past 15 years and has the highest order backlog in the past 9 years. As our major customer's Asian operation matures, the Group expects it to achieve greater success. At the same time, the Group would also expect increased competition from other players in the region.

In a June 2016 report, SEMI, the global industry association serving the manufacturing supply chain for the micro- and nano-electronics industries, announced that 19 new fabs and lines are forecasted to begin construction in 2016 and 2017. While semiconductor fab equipment spending is off to a slow start in 2016, it is expected to gain momentum through the end of the year. For 2016, 1.5 percent growth over 2015 is expected while 13 percent growth is forecast in 2017.

Fab equipment spending — including new, secondary, and in-house — was down 2 percent in 2015. However, activity in the 3D NAND, 10nm Logic, and Foundry segments is expected to push equipment spending up to US\$36 billion in 2016, 1.5 percent over 2015, and to \$40.7 billion in 2017, up 13 percent. Equipment will be purchased for existing fabs, lines that are being converted to leading-edge technology, as well as equipment going into new fabs and lines that began construction in the prior year<sup>1</sup>.

Subsequent to our investment in the Malaysia aerospace component manufacturer in January this year, the company was renamed Allstar Manufacturing Sdn Bhd ("AMSB"). AMSB has recently completed the relocation of its machineries from its previous Malacca factory premises to the Group's Penang manufacturing hub. AMSB and the Group will work towards the goal of making AMSB a major aerospace component maker in the regional aerospace industry. This is a long term investment and the performance of AMSB will not have any material impact to the Group's FY2016 financial results.

Barring unforeseen circumstances, the Board of Directors remains cautiously optimistic that FY2016 will be a profitable year for the Group.

Footnote:

<sup>1</sup>Refer to <http://www.semi.org/en/equipment-spending-19-new-fabs-and-lines-start-construction>

**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 2016.

**(d) Books closure date**

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 12 October 2016, 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 2016.

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 11 October 2016 will be registered before entitlement 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 11 October 2016 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.

	<b>6 Months Ended 30 June 2016</b>
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)  <b>S\$'000</b>
<b>Kalf Engineering Pte Ltd (Note 1)</b>	
Fabrication of water disinfection system	1,404
Final payment for water system upgrade	34

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

- 14 **Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)**

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1).

- 15 **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 2Q2016 and the period ended 30 June 2016 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**  
12 August 2016