

UMS HOLDINGS LIMITED
COMPANY REGISTRATION NO: 200100340R
Third 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 SEPTEMBER 2019

	Group					
	3Q			9 Months Ended		
	30-Sep-19	30-Sep-18	Change	30-Sep-19	30-Sep-18	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	32,927	29,288	12%	91,507	102,033	-10%
Net finance expense (Note (a))	(175)	(96)	82%	(567)	(238)	138%
Changes in inventories	(164)	10,110	-102%	(12,493)	17,024	N.M
Raw material purchases and subcontractor charges	(14,696)	(22,207)	-34%	(29,829)	(57,814)	-48%
Employee benefits expense	(4,423)	(4,870)	-9%	(11,841)	(12,789)	-7%
Depreciation expense (Note (b))	(1,744)	(1,553)	12%	(5,162)	(3,967)	30%
Other expenses (Note (c))	(2,725)	(2,885)	-6%	(7,590)	(8,921)	-15%
Other (charges)/credits (Note (d))	237	683	-65%	(134)	1,025	N.M
Share of result of associate	650	358	82%	1,939	283	585%
Profit before income tax	9,887	8,828	12%	25,830	36,636	-29%
Income tax expense (Note (e))	(762)	(1,105)	-31%	(1,942)	(3,263)	-40%
Net profit for the period from continuing operations	9,125	7,723	18%	23,888	33,373	-28%
Profit attributable to:						
Owners of the parent	9,175	7,588	21%	24,312	33,484	-27%
Non- controlling interest	(50)	135	N.M	(424)	(111)	282%
	9,125	7,723	18%	23,888	33,373	-28%

N.M - Not meaningful

NOTES TO INCOME STATEMENT

Note (a) Net finance income/ (expense)

	Group					
	3Q			9 Months Ended		
	30-Sep-19	30-Sep-18	Change	30-Sep-19	30-Sep-18	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income from cash and cash equivalents (Note (i))	99	45	120%	277	139	99%
Interest income from an associate	-	(7)	-100%	-	29	-100%
Interest expense on lease liabilities (Note (ii))	(56)	-	N.M	(198)	-	N.M
Interest expense from bank borrowings (Note (i))	(150)	(61)	146%	(442)	(217)	104%
Interest expense from loans from related parties	(68)	(73)	-7%	(204)	(189)	8%
Net finance expense	(175)	(96)	82%	(567)	(238)	138%

Note 1 (a)(a)(i) – The increase in interest expense from bank borrowings is due to short term borrowings taken to satisfy certain financial condition required for its general offer of JEP Holdings Ltd. Monies borrowed were placed in bank time deposits which resulted in higher interest income.

Note 1 (a)(a)(ii) – The increase in interest expense on lease liabilities is mainly due to the adoption of the new Singapore Financial Reporting Standards (International) (SFRS(I)) 16 *Leases*.

Note (b) Depreciation expense

The increase in depreciation was mainly due to fixed assets additions during the second half of FY2018 and the recognition of right-of-use assets as a result of the adoption of the new SFRS(I) 16 *Leases*.

Note (c) Other expenses

	Group					
	3Q			9 Months Ended		
	30-Sep-19	30-Sep-18	Change	30-Sep-19	30-Sep-18	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Legal and professional fees (Note (i))	(456)	(479)	-5%	(1,534)	(1,699)	-10%
Rental expense (Note (ii))	-	(127)	-100%	-	(389)	-100%
Utilities	(920)	(911)	1%	(2,579)	(2,514)	3%
Freight charges	(165)	(160)	3%	(365)	(574)	-36%
Insurance	(112)	(144)	-22%	(307)	(377)	-19%
Upkeep of properties and equipment (Note (iii))	(163)	(157)	4%	(390)	(454)	-14%
Upkeep of machinery (Note (iii))	(487)	(342)	42%	(1,121)	(1,386)	-19%
Others	(422)	(565)	-25%	(1,294)	(1,528)	-15%
	(2,725)	(2,885)	-6%	(7,590)	(8,921)	-15%

Note 1(a)(c)(i) – The decrease in professional fees was mainly due to lower legal fees in relation to M&A activities in 3QFY2019 as compared to 3QFY2018.

Note 1(a)(c)(ii) – . The decrease in rental expenses was mainly due to the adoption of the new SFRS(I) 16 *Leases*.

Note 1(a)(c)(iii) – The increase was due to higher maintenance work during the quarter. The decrease on a YTD basis was mainly due to lower production volume during the period.

Note (d) Other (charges)/credits

	Group					
	3Q			9 Months Ended		
	30-Sep-19	30-Sep-18	Change	30-Sep-19	30-Sep-18	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Foreign exchange gain (Note (i))	252	878	-71%	310	1,149	-73%
Bad debts written off non-trade	-	-	N.M	(8)	-	N.M
Gain on disposal of property, plant and equipment	64	7	814%	64	7	814%
Property, plant & equipment written off	3	(3)	N.M	(32)	(3)	967%
Allowance for inventories obsolescence	(105)	(189)	-44%	(523)	(189)	177%
Others	23	(10)	N.M	55	61	-10%
	237	683	-65%	(134)	1,025	N.M

Note 1(a)(d)(i) - The decrease in foreign exchange gain was mainly due to the relative stability of the US dollar against the Singapore dollar during the period.

Note (e) Income tax

	Group					
	3Q			9 Months Ended		
	30-Sep-19	30-Sep-18	Change	30-Sep-19	30-Sep-18	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Income tax:						
- Current	(756)	(1,105)	-32%	(1,956)	(3,263)	-40%
- Prior years	(6)	-	N.M	14	-	N.M
	(762)	(1,105)	-31%	(1,942)	(3,263)	-40%

Note 1(a)(e) - The decrease in current income tax was due to overprovision in 3QFY2018.

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 Sep 2019 S\$'000	31 Dec 2018 S\$'000	30 Sep 2019 S\$'000	31 Dec 2018 S\$'000
ASSETS				
Current Assets				
Cash and bank balances (Note (ii))	21,829	18,926	338	181
Trade receivables and other current assets	21,261	15,149	7,530	8,736
Loan to subsidiary	-	-	2,049	2,322
Inventories (Note (iv))	57,946	70,438	-	-
Total Current Assets	101,036	104,513	9,917	11,239
Non-Current Assets				
Investment in subsidiaries (Note (i))	-	-	200,481	200,481
Property, plant and equipment	52,954	53,368	-	-
Investment property	2,026	2,100	-	-
Right-of-use assets (Note (iii))	3,895	-	-	-
Investment in associate (Note (v))	38,463	29,501	35,998	28,976
Loan to associate	-	3,345	-	3,345
Goodwill	82,999	82,201	-	-
Total Non-Current Assets	180,337	170,515	236,479	232,802
Total Assets	281,373	275,028	246,396	244,041
LIABILITIES AND EQUITY				
Current Liabilities				
Bank borrowings (Note 1(b)(ii))	6,858	20,295	-	-
Trade and other payables	19,461	14,123	53,036	38,755
Loan from related parties (Note (vi))	1,403	1,403	-	-
Lease liabilities (Note (vii))	204	-	-	-
Income tax payable	2,178	2,316	2	14
Total Current Liabilities	30,104	38,137	53,038	38,769
Non Current Liabilities				
Loan from related parties (Note (vi))	3,618	3,419	-	-
Lease liabilities (Note (vii))	3,739	-	-	-
Deferred tax liabilities	2,582	2,606	-	-
Long-term provision*	405	405	-	-
Total Non-Current Liabilities	10,344	6,430	-	-
Total Liabilities	40,448	44,567	53,038	38,769
Capital and Reserves				
Share Capital	136,623	136,623	136,623	136,623
Reserves	(10,634)	(10,683)	-	-
Retained earnings	113,513	102,612	56,735	68,649
	239,502	228,552	193,358	205,272
Non-controlling interest	1,423	1,909	-	-
Total Equity	240,925	230,461	193,358	205,272
Total Liabilities and Equity	281,373	275,028	246,396	244,041

* Provision for reinstatement of leased premises.

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

The details of the subsidiaries as at 30 September 2019 are as follows:

Name	Effective percentage of equity held by the group		Company's cost of investment	
	30-Sep-2019 %	31-Dec-2018 %	30-Sep-2019 S\$'000	31-Dec-2018 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
Kalf Engineering Pte Ltd (Singapore)	51	51	990	990
Starke Singapore Pte Ltd (Singapore)	70	70	7,076	7,076
Ultimate Mechanical System Sdn. Bhd. (Malaysia)	100	-	-*	-
Unquoted equity shares, at cost			224,279	224,279
Less: Provision for impairment			(23,798)	(23,798)
			<u>200,481</u>	<u>200,481</u>
<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		
<u>Held through Kalf Engineering Pte. Ltd.</u>				
浙江凯富环境治理工程有限公司 (People's Republic of China)	100	100		
<u>Held through Starke Singapore Pte Ltd</u>				
Starke Asia Sdn. Bhd. (Malaysia)	100	100		
<u>Held through Ultimate Machining Solutions (M) Sdn. Bhd.</u>				
AllStar Manufacturing Sdn. Bhd. (Malaysia)	100	10		

* amount less than S\$1,000

Note 1(b)(i)(ii) – The net increase in cash and cash equivalents by S\$16.3 million (after netting-off short-term borrowing) was mainly due to the net cash generated from operating activities, partially offset by S\$7.0 million investment in JEP Holdings Ltd and S\$13.4 million dividend payments made during the year.

Note 1(b)(i)(iii) – The recognition of right-of-use assets from the adoption of the new SFRS(I) 16 Leases.

Note 1(b)(i)(iv) – The decrease in inventories by S\$12.5 million was mainly due to lower purchases made during the period.

Note 1(b)(i)(v) – Investment in associates relate to the Group’s 39.76% equity interest investment in JEP Holdings Ltd. The Group has recognised its share of profit of JEP Holdings Ltd for the period.

Note 1(b)(i)(vi) – The current loan from related parties relates to amount owing to minority shareholders of Starke Singapore Pte Ltd and the non-current loan from related parties relates to loan from Full City Investments Ltd. Refer to note 13.

Note 1(b)(i)(vii) – Lease liabilities arose from the adoption of the new SFRS(I) 16 Leases, which relates to the present value of future lease payments due to the lessors.

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 Sep 2019			As at 31 Dec 2018		
Secured	Unsecured	Total	Secured	Unsecured	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
-	6,858	6,858	-	20,295	20,295

Details of any collateral

Not applicable

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			
	3Q		9 Months Ended	
	30-Sep-19 S\$'000	30-Sep-18 S\$'000	30-Sep-19 S\$'000	30-Sep-18 S\$'000
Cash flows from operating activities				
Profit before income tax	9,887	8,828	25,830	36,636
Adjustments for:				
Depreciation expense	1,744	1,553	5,162	3,967
Gain on disposal of property, plant and equipment	(64)	(7)	(64)	(7)
Bad debts written off- non-trade	-	-	8	-
Allowance for inventories obsolescence	105	189	523	189
Property, plant and equipment written off	(3)	3	32	3
Interest income	(99)	(38)	(277)	(168)
Interest expense	274	134	844	406
Share of result of associate (net of income tax)	(650)	(358)	(1,939)	(283)
Unrealised foreign exchange loss	(212)	(461)	(175)	(729)
Operating cash flows before working capital changes	10,982	9,843	29,944	40,014
Changes in working capital:				
Trade receivables and other current assets	(6,042)	1,246	(7,126)	3,672
Inventories	20	(2,962)	11,944	(9,270)
Trade and other payables	5,850	468	4,638	(3,911)
Cash generated from operations	10,810	8,595	39,400	30,505
Income tax paid	(817)	(1,694)	(2,106)	(3,429)
Net cash generated from operating activities	9,993	6,901	37,294	27,076
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	1,805	17	1,807	17
Purchase of property, plant and equipment	(209)	(7,068)	(1,752)	(11,929)
Improvement to investment property	-	-	(43)	-
Net cash outflow on acquisition of subsidiaries	28	(4,386)	28	(4,386)
Investment in associate	(65)	(789)	(7,022)	(28,976)
Interest received	99	38	277	168
Net cash generated from /(used in) investing activities	1,658	(12,188)	(6,705)	(45,106)
Cash flows from financing activities				
Proceeds from bank borrowings	-	15,249	39,545	41,806
Repayment of bank borrowings	(48,112)	(5,743)	(53,288)	(40,833)
Dividends paid	(2,682)	(5,364)	(13,411)	(21,457)
Repayment of loan from related parties	-	(702)	-	(702)
Repayment of lease liabilities	(122)	-	(333)	-
Placed of fixed deposit - restricted	-	-	(39,000)	-
Withdraw of fixed deposit - restricted	39,000	-	39,000	-
Interest paid	(150)	(134)	(442)	(406)
Net cash (used in)/ generated from financing activities	(12,066)	3,306	(27,929)	(21,592)
Net effect of exchange rate changes	514	(204)	243	10
Net increase/ (decrease) in cash and cash equivalents	99	(2,185)	2,903	(39,612)
Cash and cash equivalents at beginning of the period	21,730	22,144	18,926	59,571
Cash and cash equivalents at end of the period	21,829	19,959	21,829	19,959

- 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					
	3Q			9 Months Ended		
	30-Sep-19 S\$'000	30-Sep-18 S\$'000	Change %	30-Sep-19 S\$'000	30-Sep-18 S\$'000	Change %
Net Profit for the period	9,125	7,723	18%	23,888	33,373	-28%
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	466	(1,079)	N.M	(13)	(281)	-95%
Total comprehensive income for the period	9,591	6,644	44%	23,875	33,092	-28%
Attributable to:						
Equity holders of the Company	9,681	6,507	49%	24,361	33,270	-27%
Non-controlling interests	(90)	137	-166%	(486)	(178)	173%
	9,591	6,644	44%	23,875	33,092	-28%

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 holders of the Company S\$'000	Non- controlling Interests S\$'000	Total Equity S\$'000
Group						
Balance at 1 January 2018	136,623	(10,560)	89,045	215,108	(1,307)	213,801
Changes in equity for first quarter						
Net profit/ (loss) for the period	-	-	11,400	11,400	(129)	11,271
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	994	-	994	15	1,009
Total comprehensive income for the quarter	-	994	11,400	12,394	(114)	12,280
Balance at 31 March 2018	136,623	(9,566)	100,445	227,502	(1,421)	226,081
Changes in equity for second quarter						
Net profit/ (loss) for the period	-	-	14,496	14,496	(117)	14,379
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	(127)	-	(127)	(84)	(211)
Total comprehensive income for the quarter	-	(127)	14,496	14,369	(201)	14,168
Dividend paid	-	-	(16,093)	(16,093)	-	(16,093)
As at 30 June 2018	136,623	(9,693)	98,848	225,778	(1,622)	224,156
Changes in equity for third quarter						
Net profit for the period	-	-	7,588	7,588	135	7,723
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	(1,081)	-	(1,081)	2	(1,079)
Total comprehensive income for the quarter	-	(1,081)	7,588	6,507	137	6,644
Dividend paid	-	-	(5,364)	(5,364)	-	(5,364)
Effect on non-controlling interest on acquisition of a subsidiary	-	-	-	-	3,143	3,143
As at 30 September 2018	136,623	(10,774)	101,072	226,921	1,658	228,579

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	Non- controlling Interests S\$'000	Total Equity S\$'000
Balance at 1 January 2019	136,623	(10,683)	102,612	228,552	1,909	230,461
Changes in equity for first quarter						
Net profit for the period	-	-	7,049	7,049	(229)	6,820
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	278	-	278	23	301
Total comprehensive income for the quarter	-	278	7,049	7,327	(206)	7,121
Balance at 31 March 2019	<u>136,623</u>	<u>(10,405)</u>	<u>109,661</u>	<u>235,879</u>	<u>1,703</u>	<u>237,582</u>
Changes in equity for second quarter						
Net profit for the period	-	-	8,088	8,088	(145)	7,943
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	(735)	-	(735)	(45)	(780)
Total comprehensive income for the quarter	-	(735)	8,088	7,353	(190)	7,163
Dividend paid	-	-	(10,729)	(10,729)	-	(10,729)
As at 30 June 2019	<u>136,623</u>	<u>(11,140)</u>	<u>107,020</u>	<u>232,503</u>	<u>1,513</u>	<u>234,016</u>
Changes in equity for third quarter						
Net profit for the period	-	-	9,175	9,175	(50)	9,125
Other comprehensive income for the period- Exchange differences on translation of foreign operations	-	506	-	506	(40)	466
Total comprehensive income for the quarter	-	506	9,175	9,681	(90)	9,591
Dividend paid	-	-	(2,682)	(2,682)	-	(2,682)
As at 30 September 2019	<u>136,623</u>	<u>(10,634)</u>	<u>113,513</u>	<u>239,502</u>	<u>1,423</u>	<u>240,925</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 2018	136,623	-	65,378	202,001
Changes in equity for first quarter				
Net loss for the period	-	-	(1,120)	(1,120)
Total comprehensive expenses for the quarter	-	-	(1,120)	(1,120)
Balance at 31 March 2018	136,623	-	64,258	200,881
Changes in equity for second quarter				
Net profit for the period	-	-	8,004	8,004
Total comprehensive income for the quarter	-	-	8,004	8,004
Dividend paid	-	-	(16,093)	(16,093)
As at 30 June 2018	136,623	-	56,169	192,792
Changes in equity for third quarter				
Net profit for the period	-	-	6,958	6,958
Total comprehensive income for the quarter	-	-	6,958	6,958
Dividend paid	-	-	(5,364)	(5,364)
As at 30 September 2018	136,623	-	57,763	194,386

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 2019	136,623	-	68,649	205,272
Changes in equity for first quarter				
Net loss for the period	-	-	(1,034)	(1,034)
Total comprehensive expenses for the quarter	-	-	(1,034)	(1,034)
Balance at 31 March 2019	136,623	-	67,615	204,238
Changes in equity for second quarter				
Net profit for the period	-	-	3,171	3,171
Total comprehensive income for the quarter	-	-	3,171	3,171
Dividend paid	-	-	(10,729)	(10,729)
As at 30 June 2019	136,623	-	60,057	196,680
Changes in equity for third quarter				
Net profit for the period	-	-	(640)	(640)
Total comprehensive income for the quarter	-	-	(640)	(640)
Dividend paid	-	-	(2,682)	(2,682)
As at 30 September 2019	136,623	-	56,735	193,358

- 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 the number of shares that may be issued on conversion of all outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 the last financial year ended 31 December 2018 to 30 September 2019. There are neither treasury shares nor subsidiary holdings as at 30 September 2019 and 30 September 2018.

- 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 September 2019 was 536,429,579 (31 December 2018: 536,429,579).

- 1(e)(iv) A statement showing all sales, transfers, 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 2018 and 30 September 2019.

1(e)(v) A statement showing all sales, transfers, cancellation and/ or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/ or use of subsidiary holdings as at 30 September 2019.

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 2018.

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 adoption of new and revised standards did not have substantial effect on the financial performance and position of the Group except for the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) 16 *Leases* which took effect on 1 January 2019, using the modified retrospective approach at the date of initial application which is on 1 January 2019. In compliance with SFRS(I) 16 *Leases*, the Group has applied the practical expedients to recognise the amount of right-of-use assets equal to the lease liabilities, adjusted by the amount of accrued lease payment related to that lease recognised in the statement of financial position immediately from 1 January 2019.

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			
	3Q		9 Months Ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
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	1.71 cents	1.41 cents	4.53 cents	6.24 cents
- Weighted average number of shares	536,429,579	536,429,579	536,429,579	536,429,579
(b) On a fully diluted basis	1.71 cents	1.41 cents	4.53 cents	6.24 cents
- Weighted average number of shares	536,429,579	536,429,579	536,429,579	536,429,579

- 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-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
Net asset per ordinary share based on existing issued share capital as at end of period reported on	44.65 cents	42.61 cents	36.05 cents	38.27 cents

The net asset per outstanding ordinary share as at both the current and the previous financial year have been calculated based on 536,429,579 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) seasonal 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
9 Months 2019 Vs 2018**

	Group		
	9 Months Ended		
	30-Sep-19	30-Sep-18	Change
	S\$'000	S\$'000	%
Business Segments			
Semiconductor (Semicon)	83,862	99,013	-15%
Others	7,645	3,020	153%
	<u>91,507</u>	<u>102,033</u>	<u>-10%</u>

Geographical Regions

Singapore	56,586	57,166	-1%
United States of America ('US')	17,150	18,915	-9%
Taiwan	15,122	20,122	-25%
Malaysia	1,879	3,995	-53%
Others	770	1,835	-58%
	<u>91,507</u>	<u>102,033</u>	<u>-10%</u>

**Revenue
3Q2019 Vs 3Q2018**

	Group		
	3 Months Ended		
	30-Sep-19	30-Sep-18	Change
	S\$'000	S\$'000	%
Business Segments			
Semiconductor (Semicon)	30,471	26,757	14%
Others	2,456	2,531	-3%
	<u>32,927</u>	<u>29,288</u>	<u>12%</u>

Geographical Regions

Singapore	21,714	13,188	65%
United States of America ('US')	5,469	6,945	-21%
Taiwan	4,591	6,891	-33%
Malaysia	801	880	-9%
Others	352	1,384	-75%
	<u>32,927</u>	<u>29,288</u>	<u>12%</u>

Revenue

3QFY2019

The Group delivered an improved performance in 3QFY2019 with overall revenue rising 12% to S\$32.9 million from S\$29.3 million in 3QFY2018 on the back of a 14% increase in semiconductor segment sales. The Group's semiconductor segment sales in the current quarter is also 16% higher compared to 2QFY2019.

The higher semiconductor segment sales was driven by a surge in demand for its Semiconductor Integrated Systems which reported a 147% increase in sales in 3QFY2019 compared to the same period a year ago. This was partially offset by a 23% drop in component sales to \$16.1 million in 3QFY2019 from S\$20.9 million in 3QFY2018.

Geographically, Singapore was the star performer with a 65% jump buoyed by the strong growth in its Semiconductor integrated systems sales.

All the other markets reported revenue declines due to lower component sales.

The Group's Others segment, remained relatively stable – with sales of S\$2.5 million.

9M2019

While the Group's revenue for the 9MFY2019 eased 10% mainly due to 15% decline in semiconductor segment sales, it benefitted from a 153% surge in sales from its Others segment. The revenue rise in the Others segment was due mainly to contribution from its materials distribution subsidiary, Starke Singapore.

Geographically, 9MFY2019 revenue in Singapore remained stable compared to 9MFY2018 due to similar demand for Semiconductor integrated systems for both periods.

All other markets registered lower sales.

Profitability

3QFY2019

The Group continued to improve its profitable performance with net profit for the current quarter up by 18% to S\$9.1 million compared to 3QFY2018; while profit attributable to shareholders rose 21% to S\$9.2 million from S\$7.6 million in the same period a year ago.

The Group's better performance was reflected in the higher semiconductor segment sales as well as its larger share of profits from its associate JEP Holdings Limited (JEP). Its share of profits from JEP shot up by 82% to S\$0.7 million in the current quarter from S\$0.4 million last year. The Group also benefitted from lower costs as expenses and personnel costs fell.

Gross material margins eased to 55% from 59% due to a change in product mix with higher contributions from Semiconductor Integrated System sales which command lower margins compared to Component sales.

Other credit fell 65% on lower exchange gain compared to the same period last year, while Income tax expenses went down by 31% due to overprovision in 3QFY2018.

The Group's depreciation rose 12% mainly due to fixed assets additions during the second half of FY2018 and the adoption of the new SFRS (I) 16 Leases guidelines.

9M2019

The Group's net profit was 28% lower at S\$23.9 million for the first nine months of FY2019. Net profit attributable to shareholders was also 27% lower than the S\$33.5 million last year.

The decline in net profit was the result of softer sales and a decrease in gross material margin which fell to 54% from 60% in 9MFY2018. The lower gross material margins reflected the change in product mix as a result of higher revenue contribution from semiconductor integrated systems sales and lower component sales.

The Group's profitability in 9MFY2019 was lifted by a 585% surge in its share of profits from its associate, JEP. Contributions from JEP surged to S\$1.9 million as the company accelerated its profit growth in 2019.

Lower personnel and other expenses also helped to boost the Group's bottom line.

Income tax expense declined 40% in line with the lower profit.

Depreciation however went up 30% mainly due to addition in fixed assets during the second half of FY2018 and the adoption of the new SFRS(I) 16 Leases guidelines

Cashflow

3QFY2019

UMS continued to generate a healthy cash flow as the Group registered a S\$10.0 million positive net cash from operating activities vs S\$6.9 million in 3QFY2018, a 45% improvement.

Prudent inventory management, tighter cost-control and lower capital expenditures helped its free cash flow rebound to \$11.6 million from a negative S\$0.2 million in 3QFY2018:

The Group's wholly-owned subsidiary, Ultimate Machining Solutions (M) Sdn Bhd completed its acquisition of its associate Allstar Manufacturing Sdn Bhd as part of a restructuring exercise. The transaction was settled by a contra against the amounts owed to the Group by Allstar Manufacturing, which is now a wholly-owned subsidiary within the UMS Group.

9MFY2019

The Group's net cash from operating activities surged to S\$37.3 million against S\$27.1 million in 9MFY2018.

UMS also generated free cash flow of S\$37.3 million in 9MFY2019, up 146% from S\$15.2 million in 9MFY2018. This was achieved mainly by the Group's concerted efforts to slash inventory and capital expenditures.

Even after making additional investment in JEP Holdings Ltd and paying dividends of \$13.4 million, the Group's net cash and cash equivalents (net of bank borrowings) rose to S\$14.9 million at 30 Sep 2019, reversing from a net debt of \$1.4 million as at 31 Dec 2018.

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 previous announcement made on 14 August 2019.

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.

The semiconductor market appears to be bottoming out, with the overall oversupply in the memory market expected to ease.

According to SEMI, growth in equipment sales is expected to rebound in 2020 with an 11.6 percent rise to \$58.8 billion. SEMI predicts that the equipment market will recover on the strength of memory spending and new projects in China. Equipment sales in Korea, and Taiwan are also forecast to be robust on resumption of the uptrend. More upside is likely if the macro economy improves and US-China trade tensions subside in 2020.*

[*Source:<https://www.newswire.ca/news-releases/semi-2019-mid-year-total-equipment-forecast-2019-market-reset-with-2020-recovery-841493814.htm>]

The escalation of 5G technology adoption and other high-performance computing, data storage, artificial intelligence (AI), cloud computing, and smart automotive is also anticipated to drive spending growth in the semiconductor industry. The semiconductor industry will also be driven by massive growth of interconnected devices and heavy demand for processing power, storage and an exponential increase of data demand from about 40ZB in 2018 to 50ZB in 2020 to 163 ZB in 2026.

The Group is optimistic of its outlook. It has also recently renewed its integrated system business contract with its key customer for another three years.

Going forward, the Group expects to benefit further from its diversification efforts beyond the semiconductor industry. It will strengthen collaboration with its associate JEP to ride the growth wave in the global aerospace industry.

Barring any unforeseen circumstances, the Group will remain profitable in FY2019.

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)	0.5 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)	0.5 cent per ordinary share, (tax exempt one-tier)
Tax rate	Not applicable

(c) Date payable

17 December 2019.

(d) Books closure date

NOTICE IS HEREBY GIVEN THAT the Share Transfer Books and Register of Members of the Company will be closed on 4 December 2019, for the purpose of determining members' entitlements to the Third Interim Dividend of 0.5 cent per ordinary share (tax-exempt one-tier) for the financial year ending 31 December 2019.

Duly completed registrable transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., 30 Cecil Street #19-08 Prudential Tower Singapore 049712 up to the close of business at 5.00 p.m. on 3 December 2019 will be registered before entitlement to the Third Interim Dividend are determined. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 3 December 2019 will be entitled to the Third 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.**

	9 Months Period Ended 30 September 2019
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
Kalf Engineering Pte Ltd	
Interest expenses from Shareholders loan (Note 1)	178
Sure Achieve Consultant Pte Ltd	
Consultancy Services charges and commission (Note 2)	1,006

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.

Transaction above is with Full City Investments Ltd in which Mr. Luong Andy is a director and shareholder. The aggregate value of Interested person transactions entered into between Kalf and Full City Investments Ltd for the period ended 30 September 2019 amounted to S\$178,000 which represents approximately 0.12% of the Group's latest audited net tangible assets as at 31 December 2018.

Note 2: Transaction above is with Sure Achieve Consultant Pte Ltd in which Mrs. Sylvia SY Lee Luong is a director and shareholder. She is the wife of the CEO of the Group, Mr. Luong Andy.

The aggregate value of IPT entered into between the Group and Sure Achieve Consultant Pte Ltd for the period ended 30 September 2019 amounted to S\$1,006,000 which represents approximately 0.68% of the Group's latest audited net tangible assets as at 31 December 2018.

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 3Q2019 and the period ended 30 September 2019 financial results to be false or misleading in any material respect.

15 **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).

BY ORDER OF THE BOARD

Luong Andy
Chief Executive Officer

12 November 2019